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City of Tucson, Arizona Comprehensive Annual **Financial Report**

Fiscal Year July 1, 2001 - June 30, 2002



**City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2002**

**Prepared by: The Department of Finance,
Accounting Division**





Introductory Section

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CITY OF TUCSON

FINANCE DEPARTMENT
ADMINISTRATION

December 6, 2002

Citizens of City of Tucson and
Honorable Mayor and Council
City of Tucson, Arizona:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Tucson, Arizona (City) for the fiscal year ended June 30, 2002, as required by Chapter XXIX of the City Charter. The report was prepared by the City's Accounting Division in accordance with accounting principles generally accepted in the United States of America.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City was incorporated February 7, 1887, under the provisions of Article 13, Sections 1 through 6 of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The City operates under a Council-Manger form of government. All funds and entities related to the City that are controlled by the Mayor and Council are included in the basic financial statements. This control is determined on the basis of, among other factors, budget adoption, taxing authority, and the ability to issue debt either collateralized by revenues or as general obligation of the City. The funds and entities provide a full range of services including General Government, Police, Fire, Solid Waste Management, Transportation, Library, Parks and Recreation, Golf, and Water.

The City Charter requires an annual independent audit. The City engaged KPMG LLP to express an opinion on the financial statements based on their audit. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report. KPMG LLP also audited the City's federal financial assistance program, complying with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Effective with this report, the City implemented a significant change in governmental financial reporting under Governmental Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local*

Citizens of Tucson and Honorable Mayor and Council

Governments. More information about this change can be found in the Management's Discussion and Analysis (MD&A) beginning on page 3 and also discussed in the notes to the financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes a list of principal officials, the City's organizational chart, and this transmittal letter. The financial section includes the independent auditor's report, the MD&A, the basic financial statements, required supplementary information, and combining statements and individual fund statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes financial statements on both a government-wide and fund basis for the City (the primary government), as well as its component units. A component unit is a separate legal entity that is included in the reporting entity due to the significance of its financial or operational relationships with the City. Additional information concerning the City's component units is provided in the notes to the financial statements. The City provides a full range of services including, police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events; and the operation of a water utility.

Local Economy. Our nation, the State of Arizona, and the City are facing one of the most challenging economic periods in years. Arizona's economy continues to remain in a recession. Although this recession may be milder than the ones in the 1970's and 1980's, it is widespread across many industries. This also applies to the City. From previous years, job losses have occurred across all industries including manufacturing, mining, construction, and transportation. Tucson's non-farm jobs were down 1.4% from last year and the unemployment rate is currently about 4.9%. Retail sales were also down about 2.3%.

Although Tucson is experiencing a downturn currently, the near-term outlook is positive. More normal growth rates are anticipated in population growth, job growth, personnel income, and retail sales (about 4%).

The City responded quickly to signs of the economic slowdown in order to avoid a budget crisis in the current year. The City initiated a hiring freeze, managed expenditures tightly, and targeted savings of \$10 million to help with the Fiscal Year 2003 budget. The Fiscal Year 2003 budget is balanced and initiatives have been started to ensure critical services are provided to our citizens.

Long-Term Financial Planning. Planning for the future has become the modus operandi for the City in all venues. How much care and effort is applied to planning for future growth will determine not only the quality of our community, but how we will pay for needed services. This is why future budgets are focused on planning in keeping with the Council's strategic plan direction, which focuses on downtown development, managing growth, neighborhood development, transportation, economic development and good government. The City has moved to a 2-year biennial budget to reduce the amount of budget preparation time required, to free up time for program evaluation and analysis to improve service, and to provide context and a planning framework beyond a single year horizon.

The implementation of the Rio Nuevo project, as well as other downtown development projects, is underway. The Rio Nuevo Multipurpose Facilities District (District) acquired the Tucson Convention Center and its parking facility through a lease payment financing. This fulfilled the Arizona statute requirement that a multipurpose facilities district include a primary component that is used to accommodate sporting events and entertainment, cultural, civic, or convention activities. This acquisition will ensure that the District can receive the state sales tax increment for use in funding certain aspects of the Rio Nuevo Project.

The Comprehensive Planning Task Force was formed by reorganizing current City staff in order to step up efforts aimed at long-term land use and transportation planning. The Task Force will implement the

Citizens of Tucson and Honorable Mayor and Council

updated General Plan, which was successfully passed by voters last November. The General Plan will shape the way the City develops in the future.

The implementation of the Tucson Recycles Program will save the City about \$2 million annually, will increase revenue generated from recycled material, and is expected to increase Tucson's recycling rate from 9% to over 20%.

A new City department, the Department of Neighborhood Resources, was created in order to bring focused attention to the priority needs of neighborhoods through the coordinated delivery of City services, improved communication with neighborhood residents and associations, and implementation of neighborhood initiatives. This department will administer ongoing programs such as the Graffiti Abatement Program, Back to Basics, youth programs, and Neighborhood Enhancement Teams.

The City was one of a few cities in the country awarded a federal empowerment zone designation from the Department of Housing and Urban Development. The empowerment zone brings a package of tax, financing, and workforce training incentives estimated to be worth up to \$500 million to workers and businesses in economically depressed areas of Tucson in order to encourage better paying jobs, economic development, and revitalization.

Budgeting Controls. Tucson, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20(1) of the Arizona Constitution sets out limits on the City's legal budget capacity. In general, the Mayor and Council cannot authorize expenditures of local revenues in excess of the expenditure limitation determined annually by the State of Arizona's Economic Estimates Commission. This limitation is based on the City's actual expenditures incurred during 1979-1980 adjusted to reflect subsequent inflation and population growth. Items excluded from this limit are bond proceeds, related debt service, interest earnings, certain Highway User Revenue Funds, Federal funding, monies received pursuant to intergovernmental agreement, and State grants which are to be used for specific purposes.

On November 3, 1987, in accordance with State Statutes, the voters of Tucson passed a \$46.9 million increase in the expenditure base used to calculate the City's expenditure limitation. The effect is a permanent increase in the City's expenditure limitation, which the City uses for purposes of improved police, recreational, water, transportation, and fire protection services.

Chapter XIII, Sections 3 and 4 of the Tucson Charter require that on or before the first Monday in May, the City Manager submit to the Mayor and Council an estimate of the revenues required for the next fiscal year, and that on or before the first Monday in June, the City Manager submit his recommended budget for the fiscal year beginning July 1. Beginning July 1 of each fiscal year, the adopted budget is implemented, monitored, and changed within the limits of the law, as necessary. The Budget and Research and Finance Departments are charged with this responsibility.

Cash Management. The Treasury Division of the Finance Department manages an aggressive investment program with the objectives of safe, efficient, and profitable use of cash resources.

The City Charter and State Statutes authorize the City to invest in obligations of the U.S. Government, its agencies and instrumentalities; money market funds consisting of such U.S. Governmental obligations; repurchase agreements; bank certificates of deposit; commercial paper rated A-1/P-1; corporate bonds and notes rated AAA or AA; and the State of Arizona Local Government Investment Pool.

The deferred compensation fund is governed by a Management Board of Trustees which authorizes investments in U.S. Government obligations and agency issues, corporate bonds, and money market funds. The Tucson Supplemental Retirement System Fund (TSRS) is governed by a Board of Trustees which is authorized by City Code to make investments in accordance with the "prudent person rule". The TSRS Board contracts with Mellon Bank NA, professional money managers, for fund investment in

Citizens of Tucson and Honorable Mayor and Council

domestic and international equity, fixed income and real estate; in addition the Treasury Division manages a portion of the fixed income domestic portfolio.

Risk Management. The City maintains a self-insurance program for liability claims, unemployment compensation, and workers' compensation. In addition, the City's Risk Management Division of the Finance Department employs various risk control techniques, such as employee accident prevention training and inspection of City property and facilities, to minimize accident-related losses.

Certificate of Achievement. The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

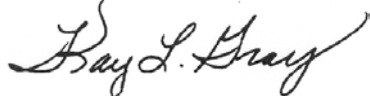
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 20 consecutive years (fiscal years ended 1982 through 2001). We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments. A special word of appreciation is due to Mike Mason, CPA, Accounting Administrator and to the entire Accounting staff who prepared this CAFR:

Joyce Plouffe, CPA, CGFM
Jeff Alford, CPA, CGFM
Joyce Garland
Karen Saunders, CPA, CMA
Kathy Lapare
Angie Shoffstall
Stacie Bird
Allan Bentkowski, CPA
Mario Fontana, CPA, CGFM
Sally Menninga, CPA, CGFM
Silvia Navarro
Brian Unger
Steve Ritter
Marsha Schlanger

Acknowledgment should also be made for the helpful suggestions received from members of the Mayor and Council, the office of the City Manager, and the willing cooperation of the other operating and staff departments of the City.

Respectfully submitted.



Kay L. Gray
Finance Director

City of Tucson Officials



HONORABLE
ROBERT E. WALKUP
MAYOR



JOSÉ J. IBARRA
WARD 1



CAROL W. WEST
WARD 2



KATHLEEN DUNBAR
WARD 3



SHIRLEY C. SCOTT
WARD 4



STEVE LEAL
WARD 5



FRED RONSTADT
WARD 6



JAMES KEENE
CITY MANAGER

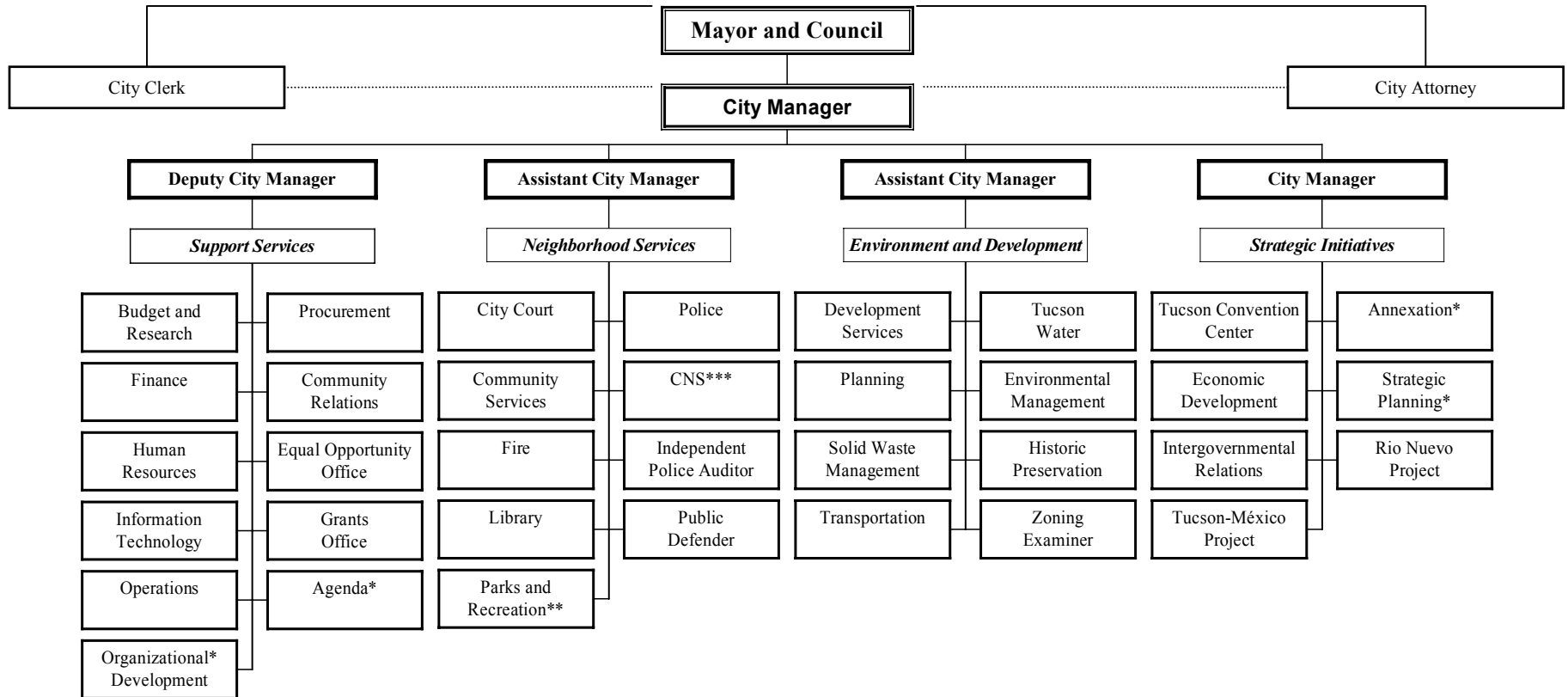
Director of Finance
Kay L. Gray

Deputy Director of Finance
J. Scott Douthitt

Accounting Administrator
Michael Mason



CITY OF TUCSON ORGANIZATION CHART FISCAL YEAR 2002



* Budgeted under the City Manager
 ** Includes Tucson City Golf
 *** Citizen and Neighborhood Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tucson,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Timothy D. Brown
President

Jeffrey L. Esser
Executive Director





Financial Section



One Arizona Center
400 East Van Buren Street
Suite 1100
Phoenix, AZ 85004

Independent Auditors' Report

The Honorable Mayor and Members of the City Council
City of Tucson, Arizona:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona (the City), as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, the City adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statements Note Disclosures*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*" effective July 1, 2001.





The Honorable Mayor and Members of the City Council
City of Tucson, Arizona
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2002 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis, general fund and major enterprise fund budgetary comparison information, and pension disclosures on pages 3 through 14, 59 through 64, and 65 through 66, respectively are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and individual fund statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements for the nonmajor funds, internal service funds, and fiduciary funds included in the combining statements and individual fund statements and schedules section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, all other schedules in the combining statements and individual fund statements and schedules section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 6, 2002



Management's Discussion and Analysis

CITY OF TUCSON, ARIZONA
MANAGEMENT DISCUSSIONS AND ANALYSIS
For the Year Ended June 30, 2002

This section of the City's annual financial report presents discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2002. Please read it in conjunction with the transmittal letter at the front of the report and the City's financial statements, which immediately follow this section. Because Fiscal Year 2001-2002 is the first year for implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides few comparisons to the previous year. Future reports will include prior and current year comparisons.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets of the City exceeded its liabilities by \$1.1 billion (reported as net assets), an increase of \$30.1 million from last year. Governmental activities contributed to \$12.4 million of this increase, while \$17.7 million came from business-type activities.

Fund Level

- The City's governmental funds reported a combined fund balance of \$173.7 million, an increase of \$3.6 million from last fiscal year. Within the combined fund balance total, \$44.0 million is unreserved, while \$129.7 million is reserved for specific purposes. Most of the unreserved fund balance (\$29.5 million) originates from one of the City's special revenue funds, Highway User Revenue Fund (H.U.R.F.). The Arizona Constitution requires that H.U.R.F. funds be used solely for highway and street purposes.
- The General Fund reported a fund balance of \$74.5 million, which represents an \$11.9 million decrease from last year. The unreserved/undesignated balance is \$9.3 million. This represents 3% of total general fund expenditures for the fiscal year.
- On a current financial resource basis, revenues raised during the year were \$57.1 million less than budgeted for the General Fund, while expenditures were \$53.9 million less than budget.

OVERVIEW OF FINANCIAL STATEMENTS

Due to a new accounting statement from the Governmental Accounting Standards Board, Statement No. 34, this annual report contains a very different presentation of financial information. The new focus is on the City as a whole and on major individual funds, instead of the previous emphasis on fund type. The major presentation changes to this annual report include management discussion and analysis, the basic financial statements, required supplementary information, and combining and individual fund statements and schedules.

Basic Financial Statements

The basic financial statements present two types of statements that reflect different views of the City. The first two statements represent the new government-wide financial statements, and they provide short and long-term information about the City's overall financial status. Regular users of this report will be more familiar with the remaining statements, the fund financial statements. These statements focus on individual parts of the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Additionally, the statements are followed by a section of Required Supplementary Information that provides a major fund budgetary analysis and pension information. The Combining and Individual Fund Schedules show combining statements for nonmajor governmental funds and internal service funds, along with budget to actual comparisons on individual funds.

CITY OF TUCSON, ARIZONA
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2002

Figure A below summarizes the structure and contents of the financial statements:

Figure A Major Features of the City's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Government Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plan for City employees
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses, and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets (pg 15) includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities (pg 16) regardless of when cash is received or paid. These two statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure financial health, or position. Increasing net assets show improvement in position, while decreasing net assets indicate deterioration. To assess the overall health of the City, additional non-financial factors, such as changes in bond ratings, changes in the City's property tax base, projected business privilege tax collection trends, and the condition of the City's infrastructure, should be considered.

Two activities exist in the government-wide statements. The first activity, governmental, represents most of the City's basic services such as police, fire, transportation or parks. Business privilege taxes, property taxes, state revenue sharing, and grants finance most of these activities. The second activity, business-type, represents those areas in which the City charges fees to customers to help cover the costs of certain services it provides. The City's enterprise funds, Tucson Water Utility and Golf Course, are considered business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds by focusing on the most significant or "major" funds rather than the City as a whole. Funds are accounting entities that the City uses to track specific funding sources and expenditures for particular programs. Some funds are required by State law or by bond covenants, while other funds are set up by Mayor and Council for management purposes.

There are three types of fund financial statements: governmental, proprietary, and fiduciary. As described below, the governmental fund statements use a different accounting approach from the proprietary and fiduciary statements.

- *Governmental funds statements* disclose how general government services, such as police and parks and recreation, were financed in the short-term as well as what remains for future expenditures. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities, reported in the government-wide statements, and governmental funds is provided in a reconciliation following the respective fund financial statements. Reconciling items include: converting fund capital expenditures to capital assets, reducing long-term debt by debt service principal expenditures, and increasing long-term debt by bond/lease proceeds.
- *Proprietary funds statements* contain funds from fees charged to customers for services provided by the City and are reported in the same manner as the government-wide statements. Because both types of statements utilize the full accrual accounting approach, the total enterprise column on the Statement of Net Assets and the Statement of Changes in Net Assets provides the same, but more detailed, financial information as the business-type activity columns in the government-wide statements. In addition, a Statement of Cash Flows is provided. Internal service funds are combined into a single column on these statements, and they are reported as part of governmental activities in the government-wide statements.
- *Fiduciary funds statements* represent funds for which the City acts as a trustee, and like the proprietary funds, they also use full accrual accounting. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City's government-wide statements because the City cannot use these assets to finance its operations.

CITY OF TUCSON, ARIZONA
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2002

The following changes were made in fund classification in Fiscal Year 2002:

- The Rio Nuevo Multipurpose District changed from a blended to discrete component unit and is reported separately in the government-wide statements, using the full accrual basis of accounting. (See Note 1A)
- Per the provisions of Statement No. 34, fiduciary funds are now used to account for assets held in a trustee or agency capacity for outsiders, not for the benefit of the government itself. Therefore, the Civic Contribution Fund has been reclassified from an expendable trust fund to a special revenue fund, and the Civic Endowment Fund has been reclassified from a nonexpendable trust fund to a permanent fund. A permanent fund is a new fund type that reports resources that are legally restricted to the extent that only earnings, and not principal, may be used to finance operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The combined net assets for the primary government increased 2.9% over the course of the year to \$1.1 billion. Governmental activities contributed to 41.3% of this increase, while business-type activities contributed 58.7%. As shown in Table B-1 below, the largest component of net assets represents the City's investment in capital assets (i.e., land, buildings, equipment and infrastructure), net of accumulated depreciation and related debt. The second largest component of net assets represents restricted net assets, the use of which is restricted by external sources such as debt covenants, enabling legislation or grant stipulations. The final component of net assets is unrestricted. The City has a deficit balance in Governmental Activities, primarily due to incurring liabilities with no corresponding asset. Such liabilities include compensated absences, environmental and solid waste mandates, arbitrage, and claims and judgements.

Table B-1
City of Tucson
Statement of Net Assets as of June 30, 2002 (in thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and Other Assets	\$ 292,262	\$ 92,282	\$ 382,554
Capital Assets	854,916	846,232	1,701,148
Total Assets	<u>1,147,178</u>	<u>938,514</u>	<u>2,083,702</u>
Current and Other Liabilities	72,615	30,195	100,820
Long-term debt outstanding	560,034	341,699	901,733
Total Liabilities	<u>632,649</u>	<u>371,894</u>	<u>1,002,553</u>
Net Assets			
Invested in capital assets, net of related debt	409,710	529,951	939,661
Restricted	148,299	6,145	154,444
Unrestricted	(43,480)	30,524	(12,956)
Total net assets	<u>\$ 514,529</u>	<u>\$ 566,620</u>	<u>\$ 1,081,149</u>

(Continued)

Table B-2, below, shows condensed financial information derived from the government-wide Statement of Activities (pg 16) and reflects how the City's net assets changed during the course of the fiscal year:

Table B-2
City of Tucson
Change in Net Assets for Fiscal Year Ending June 30, 2002
(in thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
Revenues:			
Program Revenues:			
Charges for services	\$ 72,463	\$ 122,414	\$ 194,877
Operating Grants and Contributions	127,254	1	127,255
Capital Grants and Contributions	23,666		23,666
Total Program Revenues	<u>223,383</u>	<u>122,415</u>	<u>345,798</u>
General Revenues:			
Taxes:			
Property Taxes	24,306		24,306
Public Utility Taxes	7,853		7,853
Business Privilege Taxes	159,525		159,525
Occupational Taxes	1,941		1,941
Liquor Taxes	746		746
Transient Occupancy Taxes	6,339		6,339
Grants and Contributions Unrestricted	107,524	9,972	117,496
Investment Earnings	6,467	1,958	8,425
Miscellaneous	7,916	114	8,030
Total General Revenues	<u>322,617</u>	<u>12,044</u>	<u>334,661</u>
Total Revenues	<u>546,000</u>	<u>134,459</u>	<u>680,459</u>
Expenses:			
Elected and Official	16,780		16,780
Support Services	51,768		51,768
Neighborhood Services	274,536		274,536
Environment and Development	115,901		115,901
Strategic Initiatives	29,073		29,073
Non-Departmental	18,899		18,899
Interest on Long-Term Debt	26,619		26,619
Water		106,731	106,731
Golf		10,082	10,082
Total Expenses	<u>533,576</u>	<u>116,813</u>	<u>650,389</u>
Excess (Deficiency) Before Contributions to Term and Permanent Endowments	12,424	17,646	30,070
Contributions to Term and Permanent Endowments	5		5
Increase (decrease) Net Assets	<u>\$ 12,429</u>	<u>\$ 17,646</u>	<u>\$ 30,075</u>

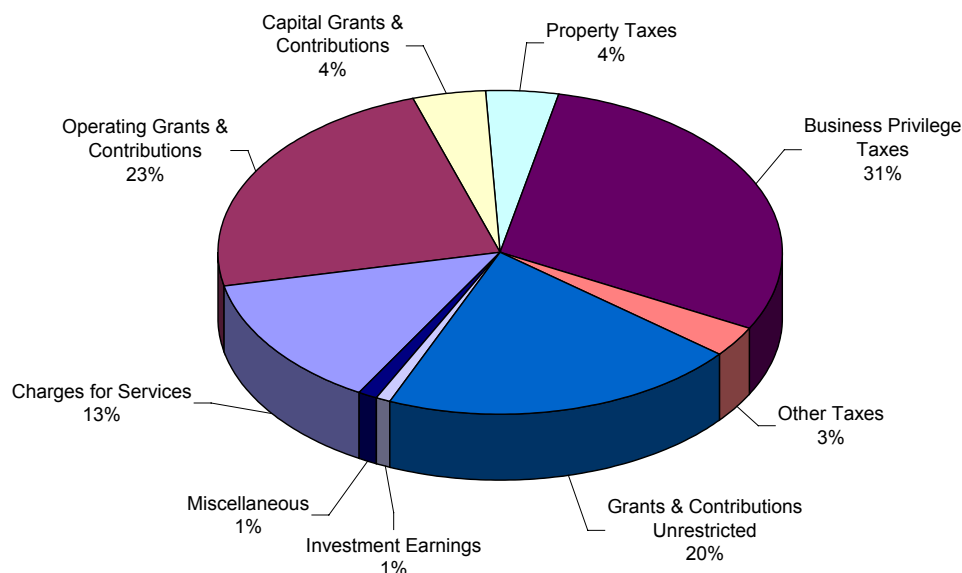
CITY OF TUCSON, ARIZONA
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2002

Governmental Activities

Total expenses for governmental activities for Fiscal Year 2002 were \$532.4 million. Program revenues, including charges for services and restricted grants or contributions, covered 42.0% of these costs. General revenues covered the remaining 58.0% of governmental costs. Components of general revenues primarily include business privilege taxes, unrestricted grants and contributions, property taxes and investment earnings.

The following chart depicts both program and general revenues generated by governmental activities for Fiscal Year 2002:

Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2002



Net expenses, program revenues less expenses, generated from governmental activities are presented by function in Table B-3 below to illustrate how much support each function receives from the City's general revenues:

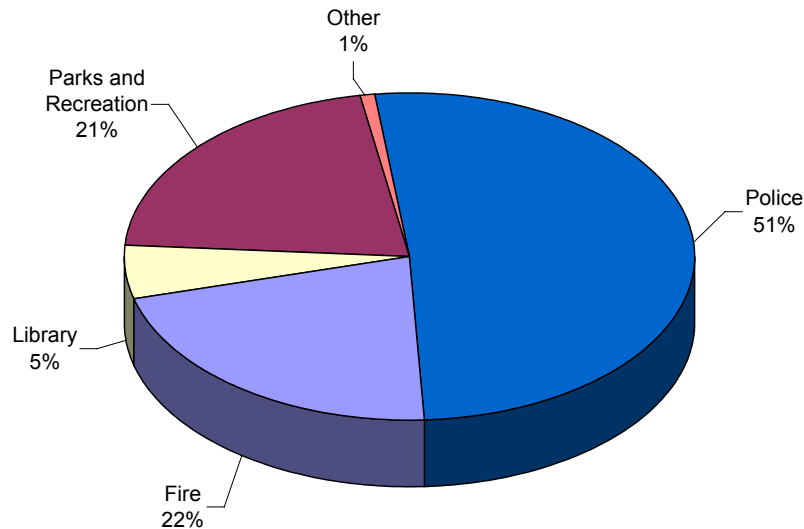
Table B-3
City of Tucson
Net Expense-Governmental Activities
For the Fiscal Year Ending June 30, 2002
(in thousands)

Function	Net Expense	Percentage
Elected Official	\$ (16,244)	5%
Support Services	(36,025)	12%
Neighborhood Services	(182,081)	59%
Environment and Development	(5,964)	2%
Strategic Initiatives	(26,075)	8%
Non-Departmental	(17,185)	6%
Interest on Long-Term Debt	(26,619)	9%
Total Net Expense	<u>\$ (310,193)</u>	<u>100%</u>

(Continued)

Neighborhood Services represents a significant portion (59%) of the total net expense for governmental activities. The following chart illustrates the departmental composition of net expense for Neighborhood Services:

Neighborhood Services-Net Expenses by Department
For Fiscal Year Ended June 30, 2002



Police, Fire, Parks and Recreation, and Library are major governmental activities within the Neighborhood Services function that are being funded by City general revenues.

Business-type Activities

Net assets for business-type activities increased by \$17.7 million during the fiscal year. The Water Utility Fund and the Golf Course Fund are the City's business-type activities. The Water Utility Fund is a major fund for the City and has a major impact on the change in net assets in this activity.

Water Revenues

Major factors contributing to the increase in Water revenues include:

- Severe drought conditions increased water usage. While nearly 14 inches of rain fell in Fiscal Year 2001, only 4 inches of rain fell in Fiscal Year 2002, which created drought conditions.
- A 4.3% rate increase went into effect on October 29, 2001.
- Revenues of \$5.4 million were recognized in Fiscal Year 2002 due to the settlement of a legal issue between the City and the Town of Oro Valley.

Water Expenses

Water expenses increased due to the following:

- The Clearwater Renewable Resource Facility incurred an entire year of expenses in Fiscal Year 2002 compared to just two months of expenses in Fiscal Year 2001, due to its opening in May 2001. This new facility delivers a blend of recharged and recovered CAP water and groundwater to the Tucson area, increasing usage of CAP water, electricity, and gas.
- Interest expense increased in Fiscal Year 2002, due to newly issued debt.
- Depreciation expense increased in Fiscal Year 2002 due primarily to increases in capital asset acquisitions.
- An early payment agreement between the City and the Metropolitan Water District created a one time accounts receivable write-off of \$920.1 thousand in Fiscal Year 2002.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City had two major governmental funds in Fiscal Year 2002, the General Fund and the Mass Transit Fund. General Fund expenditures increased 2% from last fiscal year with no increase in revenues. Cash Transfers from the General Fund to other governmental activities such as, Mass Transit, Solid Waste, Library, the Public Safety Academy and the Tucson Convention Center, increased by 10%. These factors contributed to an overall decrease in the General Fund balance from \$86.5 million to \$74.5 million, while the unreserved portion of fund balance decreased 41.8% during the fiscal year from \$27.3 million to \$15.9 million.

General Fund Revenues

- Business privilege taxes had minimal growth in Fiscal Year 2002 compared to recent years where growth was approximately 7-8%. These taxes are a major revenue source for the City (see chart on page 8). The decrease in growth can be attributed to the sluggish economy nationwide.
- Revenue received from the state decreased 5% for the fiscal year. The City's share of state revenue is based on population. Revenues have declined because the City is growing at a slower rate.

General Fund Expenditures

Personal services increased \$10.8 million, and represent the majority of the total increase in General Fund expenditures for the fiscal year. Factors contributing to this increase include:

- The Police Department added 138 positions over the past several years under the Universal Hiring Grant, a federal grant awarded by the United States Department of Justice. These grants fund 75% of the salary and fringe benefits of officers hired for a three-year period. The City is obligated to cover all other costs and ultimately maintain the position, increasing recurring expenditures in the General Fund.
- The Fire Department added fourteen positions for a new station that opened in 2001.
- Uniformed employees received increased pension contributions and sick leave buyouts, per union negotiations.
- The City implemented a comprehensive classification and compensation study for all city employees.
- Routine merit increases, cost of living adjustments, and increased health care costs also contributed to the increase in personal services.

Mass Transit Fund

The Mass Transit Fund balance decreased \$3.1 million during Fiscal Year 2002 resulting in a \$2.7 million deficit. There was a surplus fund balance in Fiscal Year 2001 due primarily to a \$2.5 million prepayment for Sun Tran buses. The Fiscal Year 2002 deficit occurred for two reasons: 1) the expenditure for the buses was recognized when the buses were received; and 2) the reimbursement of expenditures relating to the City's grant from the Federal Transit Authority (FTA) are not available or reimbursed by the FTA until after the close of the fiscal year to which they apply.

General Fund Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. The budgetary comparison schedule for the General Fund (pg 59) shows the original budget, the final budget, and actual revenues and expenditures for the fiscal year. Revisions to the original budget for the General Fund are as follows:

- Budgeted transfers to other funds increased by \$62.1 million. The majority of this increase was offset by an increase in business privilege tax revenues of \$58.7 million due to a policy change where business privilege taxes will only be recorded in the General Fund.
- Budgeted expenditures in the General Fund decreased during the fiscal year by \$7.5 million. This decrease was primarily due to budget reductions prompted by lower than expected revenues for the fiscal year. Additionally, the sale of the Tucson Convention Center to the Rio Nuevo Multipurpose District decreased debt service obligations.

For the Fiscal Year 2003 budget, the City projected a deficit. In Fiscal Year 2002, the City initiated a hiring freeze, and departments reduced expenditures, lowering the projected deficit for 2003 by \$10 million. Certain expenditures were eliminated by deferring some planned capital and equipment replacement and maintenance, eliminating 92 full time equivalent positions, and by not funding planned contributions to the City's fiscal reserves. The Fiscal Year 2003 and 2004 Biennial Budgets were proposed without tax increases and new revenues through a reduction in City services and the deferral of fiscal investments. Fiscal reserves have been used to meet the City's needs. Without new revenue sources, fiscal reserves could decline up to 40% between Fiscal Year 2001 and Fiscal Year 2004. New revenue sources are being proposed to reverse this trend.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table provides details regarding capital assets as of June 30, 2002. Additional information regarding capital assets can be found in Note 6 on page 45.

Table B-4
City of Tucson
Capital Assets Net of Accumulated Depreciation
As of June 30, 2002
(in thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 120,898	\$ 50,905	\$ 171,803
Buildings and Improvements	182,923	93,477	276,400
Equipment	81,932	9,866	91,798
Infrastructure	326,173	595,875	922,048
Construction in Progress	142,990	96,109	239,099
Total Capital Assets	<u>\$ 854,916</u>	<u>\$ 846,232</u>	<u>\$ 1,701,148</u>

Governmental Activities

Significant capital asset additions for governmental activities for the fiscal year include:

- Forty-five new SunTran buses were purchased for \$17 million with the majority of the funding coming from the Federal Transit Authority.
- Infrastructure additions for the fiscal year totaled \$51 million.

Major capital deletions for governmental activities involve a \$32.9 million dollar sale of Tucson Convention Center properties to the Rio Nuevo Multipurpose District (District), a component unit of the City. The District is a legally separate entity created to revitalize downtown Tucson. This project is being financed by tax increment financing (TIF). This allows the District to receive and use a portion of the future expansion in state sales tax revenues. TIF funding requires the District to own a multipurpose sporting facility and the Tucson Convention Center sale to the District meets this requirement. Proceeds from the sale were used to retire debt associated with the properties.

Business-type Activities

Capital assets increased \$41.9 million in business-type activities during the fiscal year, and most of this increase originates from the Water Utility Fund. Tucson Water has a five-year capital program, which provides for the construction, expansion, and replacement of both potable and reclaimed water systems. During the fiscal year, most of the capital expenditures were incurred in the potable water system program (\$36.9 million), which includes the following projects:

- In the recharge and recovery program, capital expenditures of \$11.5 million were incurred at the Clearwater Renewable Resource Facility and at Pima Mine Road Recharge Facility. These projects are designed to increase utilization of Colorado River water as the City's renewable water resource. Together, these two facilities will be capable of recharging and recovering 90,000 acre-feet of water annually.
- Capital expenditures relating to the potable transmission and distribution programs totaled \$9.7 million. The primary goal of the potable transmission program is to transport water from the water source to storage facilities and distribution systems, while the focus of the distribution program is to provide water to the customer.
- The general plant program funds facility improvements to reduce costs and maintain overall utility and operational efficiency. Capital expenditures in this program totaled \$5.0 million for the fiscal year.
- Capital expenditures totaled \$2.9 million in potable source development and potable storage. Potable source development projects focus on the development and monitoring of potable water supplies, while potable storage projects establish and maintain reservoirs and storage tanks.
- The potable new services program provides for installation of the new domestic and commercial water connections, including water meters, required by the continued growth within Tucson Water's service area. Capital expenditures for this program totaled \$2.4 million for the fiscal year.

(Continued)

Long-term Debt

The following table illustrates the City's long-term debt as of June 30, 2002. Additional information regarding long-term debt can be found in Note 7 on page 46.

Table B-5
City of Tucson
Long-term Debt As of June 30, 2002
(in thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
General Obligation Debt	\$ 243,099	\$	\$ 243,099
Street & Highway Revenue Bonds	155,695		155,695
Federal Highway Loan	3,700		3,700
Special Assessment Bonds	3,567		3,567
Water Revenue Bonds		334,999	334,999
Deferred Amount on Refundings and Premiums	639	(2,596)	(1,957)
Landfill Closure/Post Closure Costs	44,000		44,000
Arbitrage Rebate Tax Payable	517	110	627
Contracts/Capital Leases Payable	40,911	5,832	46,743
Compensated Absences	26,654	3,354	30,008
Claims and Judgements	41,252		41,252
Total	\$ 560,034	\$ 341,699	\$ 901,733

As shown in Table B-5, outstanding debt for the City totaled \$901.7 million with 62.1% attributed to governmental activities and the remaining 37.9% attributed to business-type activities. The following information describes significant changes in long-term debt for the fiscal year:

- In governmental activities, the City issued \$26.7 million in general obligation bonds and \$15.5 million in street and highway user revenue bonds during Fiscal Year 2002. The general obligation bonds will fund improvements for parks, libraries, street lighting, sidewalks, drainage facilities, and public safety. The street and highway user revenue bonds will be used to improve, construct, and maintain City streets. Additionally, the City retired \$32.9 million in bonds with the proceeds from the sale of the Tucson Convention Center properties to Rio Nuevo Multipurpose District, a component unit of the City designed to revitalize downtown.
- In business-type activities, Tucson Water issued \$56.7 million in water system revenue bonds for the construction and acquisition of water system improvements. In addition, Tucson Water entered into an \$8.8 million-dollar loan agreement with the Water Infrastructure Finance Authority (WIFA). WIFA provides low interest loans to utilities making capital improvements to water systems within the state. This loan is included in the City's 1994 and 2000 bond authorization, which was approved by Tucson voters.
- The City took advantage of lower interest rates during the fiscal year with two refundings. In governmental activities, the 1992 general obligation series was partially retired with a \$25.0 million dollar refunding, saving the City \$1.7 million in gross debt service obligation. In business-type activities, Tucson Water partially retired their 1992 revenue bonds with a \$57.8 million dollar refunding, saving \$4.2 million in gross debt service obligation.

CITY OF TUCSON, ARIZONA
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2002

Bond Ratings

Table B-6 illustrates previous and current bond ratings for Fiscal Year 2002:

Type of Bond:	Table B-6 City of Tucson Fiscal Year 2002 Bond Ratings			
	Moody's Rating		Standard and Poors Rating	
	Previous	Current	Previous	Current
General Obligation Bonds	Aa2	Aa2	AA	AA
Street & Highway User Revenue Bonds				
Senior Lien	Aa3	Aa3	A+	A+
Junior Lien	A1	A1	A	A
Water System Revenue Bonds	Aa3	Aa3	A+	A+

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Accounting Division, 255 W. Alameda, Tucson, Arizona 85726-7450, (520) 791-4561, www.cityoftucson.org.



Basic Financial Statements

CITY OF TUCSON, ARIZONA
Statement of Net Assets

June 30, 2002

(in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rio Nuevo
Assets				
Pooled Cash and Investments	\$ 121,595	\$ 21,097	\$ 142,692	\$
Taxes Receivable-Net	33,995		33,995	
Accounts Receivable-Net	12,176	17,550	29,726	
Grants and Entitlements Receivable-Net	17,792		17,792	
Notes Receivable-Net	22,281		22,281	
Other Receivables-Net	13,415	361	13,776	
Internal Receivable	1,990			
Due from Other Agencies	15,675		15,675	
Inventories	3,164	351	3,515	
Other Current Assets	523		523	
Prepaid Expenses	2,277	32	2,309	416
Deferred Charges	419	1,444	1,863	514
Restricted Assets	41,816	45,561	87,377	77
Other Noncurrent Assets	5,144	5,634	10,778	
Capital Assets (Note 6):				
Land and Construction-in-Progress	263,888	147,014	410,902	6,334
Other Capital Assets, Net of Depreciation	591,028	699,218	1,290,246	28,181
Goodwill, Net of Accumulated Amortization		252	252	
Total Assets	<u>1,147,178</u>	<u>938,514</u>	<u>2,083,702</u>	<u>35,522</u>
Liabilities				
Accounts Payable	16,259	6,060	22,319	175
Accrued Payroll Liabilities	11,754	1,523	13,277	8
Accrued Interest Payable	15	113	128	23
Internal Payable		1,990		
Due to Other Agencies	1,894	875	2,769	5,080
Refundable Deposits and Unredeemed Warrants	5,122	731	5,853	
Deferred Revenue	12,840		12,840	
Liabilities Payable from Restricted Assets	24,731	18,903	43,634	
Long-term Liabilities (Note 7):				
Due Within One Year	51,811	10,250	62,061	3,275
Due in More Than One Year	508,223	331,449	839,672	28,341
Total Liabilities	<u>632,649</u>	<u>371,894</u>	<u>1,002,553</u>	<u>36,902</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	409,710	529,951	939,661	2,899
Restricted for:				
Capital Projects	55,998	6,047	62,045	
Debt Service	10,281	98	10,379	77
Housing Programs	19,352		19,352	
Other Purposes	62,508		62,508	
Permanent Endowments:				
Expendable	18		18	
Nonexpendable	142		142	
Unrestricted (deficit)	(43,480)	30,524	(12,956)	(4,356)
Total Net Assets (Deficit)	<u>\$ 514,529</u>	<u>\$ 566,620</u>	<u>\$ 1,081,149</u>	<u>\$ (1,380)</u>

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
Statement of Activities
Year Ended June 30, 2002
(in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Elected and Official	\$ 16,780	\$ 157	\$ 379	\$
Support Services	51,768	15,221	127	395
Neighborhood Services	274,536	20,746	69,489	2,220
Environment and Development	115,901	33,542	56,312	20,083
Strategic Initiatives	29,073	2,797	201	
Non-Departmental	18,899		746	968
Interest on Long-term Debt	26,619			
Total Governmental Activities	<u>533,576</u>	<u>72,463</u>	<u>127,254</u>	<u>23,666</u>
Business-type Activities:				
Water	106,731	112,794		
Golf	10,082	9,620	1	
Total Business-type Activities	<u>116,813</u>	<u>122,414</u>	<u>1</u>	
Total Primary Government	<u>\$ 650,389</u>	<u>\$ 194,877</u>	<u>\$ 127,255</u>	<u>\$ 23,666</u>
Component Unit:				
Rio Nuevo	<u>\$ 2,996</u>	<u>\$ 3,245</u>	<u>\$</u>	<u>\$</u>

General Revenues:

Taxes:
Property Taxes
Public Utility Taxes
Business Privilege Taxes
Occupational Taxes
Other Taxes
Transient Occupancy Taxes
Payment from City of Tucson
Unrestricted Grants and Contributions
Investment Earnings
Contributions to Term and Permanent Endowments
Miscellaneous
Total General Revenues, Special Items and Transfers
Change in Net Assets
Net Assets - July 1 (Deficit)
Net Assets - June 30 (Deficit)

See Accompanying Notes to Basic Financial Statements

Net Revenue (Expense) & Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Rio Nuevo
\$ (16,244)		\$ (16,244)	
(36,025)		(36,025)	
(182,081)		(182,081)	
(5,964)		(5,964)	
(26,075)		(26,075)	
(17,185)		(17,185)	
(26,619)		(26,619)	
<u>(310,193)</u>		<u>(310,193)</u>	
	\$ 6,063	6,063	
	(461)	(461)	
	<u>5,602</u>	<u>5,602</u>	
\$ <u>(310,193)</u>	\$ <u>5,602</u>	\$ <u>(304,591)</u>	
			\$ <u>249</u>
24,306		24,306	
7,853		7,853	
159,525		159,525	
1,941		1,941	
746		746	
6,339		6,339	
			511
107,524	9,972	117,496	
6,467	1,958	8,425	
5		5	
7,916	114	8,030	28
<u>322,622</u>	<u>12,044</u>	<u>334,666</u>	<u>539</u>
<u>12,429</u>	<u>17,646</u>	<u>30,075</u>	<u>788</u>
<u>502,100</u>	<u>548,974</u>	<u>1,051,074</u>	<u>(2,168)</u>
\$ <u>514,529</u>	\$ <u>566,620</u>	\$ <u>1,081,149</u>	\$ <u>(1,380)</u>

CITY OF TUCSON, ARIZONA

Balance Sheet

Governmental Funds

June 30, 2002

(in thousands)

	General Fund	Mass Transit	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Pooled Cash and Investments	\$ 14,649	\$	\$ 89,064	\$ 103,713
Cash/Investments with Fiscal Agents	2,820		25,513	28,333
Prepaid Expenditures	34	424	1,819	2,277
Taxes Receivable - Current	32,231			32,231
Taxes Receivable - Delinquent	1,764			1,764
Accounts Receivable (Net)	9,354	510	1,426	11,290
Interest Receivable	384		843	1,227
Grants and Entitlements Receivable	19	716	17,057	17,792
Special Assessment Receivables			5,632	5,632
Notes and Other Receivables	2,521		9,479	12,000
Interfund Receivables	24,284	79	396	24,759
Due from Other Agencies	5,139	1,985	8,518	15,642
Inventories	3,164			3,164
Other Assets	522		1	523
Notes and Other Receivables-Partnerships			22,300	22,300
Total Assets	<u>\$ 96,885</u>	<u>\$ 3,714</u>	<u>\$ 182,048</u>	<u>\$ 282,647</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$ 6,905	\$ 2,212	\$ 6,207	\$ 15,324
Accrued Payroll Liabilities	8,331	697	2,498	11,526
Interfund Payables	441	3,444	20,529	24,414
Due to Other Agencies	430	1	1,438	1,869
Bonds and Interest Payable, Including Special Assessments			24,731	24,731
Refundable Deposits and Unredeemed Warrants	3,339	2	1,773	5,114
Deferred Revenue	2,914	27	22,986	25,927
Total Liabilities	<u>22,360</u>	<u>6,383</u>	<u>80,162</u>	<u>108,905</u>
Fund Balances:				
Reserved for:				
Debt Service	803		3,835	4,638
Encumbrances	7,782		25,003	32,785
Capital	2,102	96	33,155	35,353
Advances and Deposits	14,263		12	14,275
Inventories	3,164			3,164
Environmental and Solid Waste Mandates	27,681			27,681
Other Purposes	2,836	448	8,561	11,845
Unreserved, Designated (Note 1)	6,634			6,634
Unreserved, Undesignated:				
General Fund	9,260			9,260
Special Revenue Funds		(3,213)	38,426	35,213
Capital Project Funds			(7,106)	(7,106)
Total Fund Balances (Deficit)	<u>74,525</u>	<u>(2,669)</u>	<u>101,886</u>	<u>173,742</u>
Total Liabilities and Fund Balances	<u>\$ 96,885</u>	<u>\$ 3,714</u>	<u>\$ 182,048</u>	<u>\$ 282,647</u>

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
Reconciliation of the Balance Sheet for
Governmental Funds to the Statement of
Net Assets
Year Ended June 30, 2002
(in thousands)

Total Governmental Fund Balances (page 18)		\$	173,742
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:			
Land and Construction-in-Progress	\$	263,729	
Other Capital Assets, Net of Accumulated Depreciation		<u>555,797</u>	
Capital Assets, Net of Accumulated Depreciation			819,526
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.			603
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds and Notes Payable	\$	(406,700)	
Landfill Closure and Post-Closure Costs		(44,000)	
Arbitrage Rebate Tax Payable		(517)	
Capital Leases		(36,782)	
Compensated Absences		<u>(26,654)</u>	
Total Long-term Debt			(514,653)
Interest payable on long-term debt is not reported in the governmental funds.			(6)
Revenue has been deferred in the governmental funds if it has not been received within two months following the fiscal year. However, this revenue is recognized in the government-wide statements if it has been earned.			13,087
Internal service funds' assets and liabilities are included in the Statement of Net Assets since they primarily support the governmental activities. This amount is net of entity-wide eliminations.			22,230
Net Assets of Governmental Activities (page 15)		\$	<u><u>514,529</u></u>

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2002
(in thousands)

	<u>General</u>	<u>Mass Transit</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 178,514	\$	\$ 20,954	\$ 199,468
Licenses and Permits	15,866		2,232	18,098
Fines, Forfeitures and Penalties	8,322		636	8,958
Use of Money and Property	3,214		4,242	7,456
Grants and Contributions on Federal Programs		15,125	63,025	78,150
Other Agencies	114,860	6,315	55,725	176,900
Charges for Current Services	19,208	7,161	14,063	40,432
Special Assessments			1,631	1,631
Miscellaneous Revenue	1,326	301	1,308	2,935
Total Revenues	<u>341,310</u>	<u>28,902</u>	<u>163,816</u>	<u>534,028</u>
Expenditures:				
Current:				
Elected and Official	16,067		348	16,415
Support Services:				
Finance	6,954			6,954
Budget and Research	2,113			2,113
Procurement	3,168			3,168
Information Technology	9,131			9,131
Human Resources	2,801			2,801
Operations	15,322		(110)	15,212
City Manager Support Services	2,203			2,203
Total Support Services	<u>41,692</u>		<u>(110)</u>	<u>41,582</u>
Neighborhood Services:				
Community Services	3,402		42,850	46,252
City Court	9,213		136	9,349
Public Defender	2,050			2,050
Police	92,033		8,499	100,532
Fire	40,817		1,339	42,156
Library			19,728	19,728
Parks and Recreation	35,593		448	36,041
City Manager Neighborhood Services	937			937
Total Neighborhood Services	<u>184,045</u>		<u>73,000</u>	<u>257,045</u>
Environment and Development:				
Planning	3,156			3,156
Development Services	6,344			6,344
Solid Waste Management			26,760	26,760
Transportation	4,478	38,560	27,143	70,181
City Manager Environment and Development	2,261		108	2,369
Total Environment and Development	<u>16,239</u>	<u>38,560</u>	<u>54,011</u>	<u>108,810</u>
Strategic Initiatives:				
Convention Center			9,241	9,241
City Manager Strategic Initiatives	2,486		200	2,686
Total Strategic Initiatives	<u>2,486</u>		<u>9,441</u>	<u>11,927</u>
Non-Departmental	5,915		1,629	7,544
Debt Service	6,733		42,595	49,328
Lease Purchases-Capital	777			777
Capital Outlay	1,894	15,923	1,536	19,353
Capital Projects	15,346	2,533	49,661	67,540
Total Expenditures	<u>291,194</u>	<u>57,016</u>	<u>232,111</u>	<u>580,321</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>50,116</u>	<u>(28,114)</u>	<u>(68,295)</u>	<u>(46,293)</u>

See Accompanying Notes to Basic Financial Statements

	<u>General</u>	<u>Mass Transit</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financial Sources (Uses):				
Proceeds from Bond Sales	\$	\$	\$ 73,426	\$ 73,426
Lease Purchases and Contract Proceeds	781			781
Transfers from Other Funds	309	24,978	50,918	76,205
Transfers to Other Funds	(64,540)		(12,270)	(76,810)
Extinguishment of Debt	(32,940)			(32,940)
Payment to Refunded Bond Escrow Agent			(25,155)	(25,155)
Proceeds From Sale of Real Property	34,340			34,340
Total Other Financial Sources (Uses)	<u>(62,050)</u>	<u>24,978</u>	<u>86,919</u>	<u>49,847</u>
Contributions to Permanent or Term Endowments			<u>5</u>	<u>5</u>
Net Change in Fund Balance	<u>(11,934)</u>	<u>(3,136)</u>	<u>18,629</u>	<u>3,559</u>
Fund Balance - July 1	<u>86,459</u>	<u>467</u>	<u>88,484</u>	<u>175,410</u>
Prior Period Adjustment (Note 2)			<u>(5,227)</u>	<u>(5,227)</u>
Fund Balance Restated - July 1	<u>86,459</u>	<u>467</u>	<u>83,257</u>	<u>170,183</u>
Fund Balance (Deficit) June 30	<u>\$ 74,525</u>	<u>\$ (2,669)</u>	<u>\$ 101,886</u>	<u>\$ 173,742</u>

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
Reconciliation Between Change in
Governmental Fund Balances and Change
in Governmental Activities Net Assets
Year Ended June 30, 2002
(in thousands)

Net Change in Fund Balances - Total Governmental Funds (page 21)	\$	3,559
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Expenditures	\$ 87,670	
Depreciation Expense	<u>(52,277)</u>	35,393

Only gains or losses on sale of fixed assets are reported in the Statement of Activities, whereas total proceeds are recorded in the governmental funds. The change in net assets differs by the recorded value of the assets sold.		(29,470)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		4,766
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments:

Debt Proceeds	\$ (74,207)	
Repayment of Debt Principal	<u>54,268</u>	(19,939)

Refunding of debt is an expenditure in the governmental funds. However, these expenditures represent a reduction of a liability on the Statement of Net Assets.		26,203
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Issuance costs are deferred in the Statement of Net Assets and amortized over the life of the debt. In the governmental funds, they represent an expenditure. The following amount represents the amount by which issuance costs exceed amortization expenses:

Issuance Costs	\$ 506	
Amortization of Issuance Costs	<u>(16)</u>	490

Accrued interest expense is not recorded in the governmental funds. The following amount represents the amount by which amortization of premium on debt exceeds accrued interest expense:

Amortization of Premium on Debt	\$ 24	
Accrued Interest Expense	<u>(6)</u>	18

Governmental funds do not recognize the changes in long-term debt:

Change in Arbitrage Liability	\$ 191	
Change in Landfill Liability	4,081	
Change in Compensated Absences Liability	<u>(5,090)</u>	(818)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet services, to individual funds. The net revenue (expense) of the internal service funds is reported within governmental activities. This amount is net of entity-wide eliminations.		(7,773)
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Change in Net Assets of Governmental Activities (page 17).	\$	<u><u>12,429</u></u>
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See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA

Statement of Net Assets

Proprietary Funds

June 30, 2002

(in thousands)

(Continued)

	Enterprise Funds			Internal Service Funds
	Water Utility Fund	Golf Fund (Nonmajor)	Total	
Assets				
Current Assets:				
Pooled Cash and Investments	\$ 21,097	\$	\$ 21,097	\$ 17,882
Accounts Receivable:				
Billed Accounts Receivable	12,153	110	12,263	59
Less Allowance for Doubtful Accounts	(801)		(801)	
Unbilled Accounts Receivable	6,088		6,088	
Interest Receivable	361		361	170
Advance Receivable				155
Due from Other Agencies				33
Inventories	88	263	351	
Prepaid Expenses	12	20	32	
Total Current Assets	<u>38,998</u>	<u>393</u>	<u>39,391</u>	<u>18,299</u>
Restricted Assets:				
Cash and Investments				
with Fiscal Agent - Debt Service	13,959	2	13,961	
Cash and Investments				
with Fiscal Agent - Construction	255	380	635	
Pooled Cash and Investments for Construction	25,403		25,403	
Investments for Debt Service	98		98	
Accounts Receivable for Construction	5,334		5,334	
Accrued Interest Receivable for Construction	130		130	
Other Restricted Assets				13,482
Total Restricted Assets	<u>45,179</u>	<u>382</u>	<u>45,561</u>	<u>13,482</u>
Noncurrent Assets:				
Investments for Contract Payments	1,307		1,307	
Long-term Accounts Receivable	4,327		4,327	
Deferred Charges	1,092	352	1,444	
Capital Assets:				
Land	45,145	5,760	50,905	30
Buildings	102,092	6,975	109,067	129
Improvements Other than Buildings		11,686	11,686	33
Transmission and Distribution System (Mains)	582,192		582,192	
Wells and Reservoirs	199,583		199,583	
Machinery and Equipment	19,605	3,070	22,675	79,079
Less Accumulated Depreciation	(217,114)	(8,871)	(225,985)	(44,010)
Construction-in-Progress	95,850	259	96,109	129
Total Property, Plant and Equipment	<u>827,353</u>	<u>18,879</u>	<u>846,232</u>	<u>35,390</u>
Goodwill, Net of Accumulated Amortization	243	9	252	
Total Noncurrent Assets	<u>834,322</u>	<u>19,240</u>	<u>853,562</u>	<u>35,390</u>
Total Assets	<u>\$ 918,499</u>	<u>\$ 20,015</u>	<u>\$ 938,514</u>	<u>\$ 67,171</u>

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2002
(in thousands)

(Continued)

	Enterprise Funds			Internal Service Funds
	Water Utility Fund	Golf Fund (Nonmajor)	Total	
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable	\$ 5,960	\$ 100	\$ 6,060	\$ 935
Accrued Payroll Liabilities	3,084	230	3,314	228
Interfund Payables - Unrestricted		345	345	
Due to Other Agencies	875		875	25
Accrued Interest Payable	107	6	113	9
Refundable Deposits and Unredeemed Warrants	731		731	8
Current Portion of Contracts/Capital Leases Payable	339	18	357	1,734
Current Portion of Revenue Bonds and Certificates Payable	8,102		8,102	
Current Portion of Claims and Judgments Payable				7,035
Total Current Liabilities	<u>19,198</u>	<u>699</u>	<u>19,897</u>	<u>9,974</u>
Liabilities Payable from Restricted Assets:				
Accounts Payable - Construction Assets	4,944		4,944	
Matured Bonds/Certificates and Interest Payable	13,959		13,959	
Total Liabilities Payable from Restricted Assets	<u>18,903</u>	<u></u>	<u>18,903</u>	<u></u>
Noncurrent Liabilities, Net of Portion Classified as Current Liabilities:				
Accrued Payroll Liabilities	1,427	136	1,563	
Certificates and Revenue Bonds Payable	324,301		324,301	
Contracts/Capital Leases Payable	850	4,625	5,475	2,395
Arbitrage Rebate Tax Liability	110		110	
Claims and Judgments Payable				34,217
Total Noncurrent Liabilities	<u>326,688</u>	<u>4,761</u>	<u>331,449</u>	<u>36,612</u>
Total Liabilities	<u>364,789</u>	<u>5,460</u>	<u>370,249</u>	<u>46,586</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	515,706	14,245	529,951	31,261
Restricted for:				
Capital Projects	5,665	382	6,047	128
Debt Service	98		98	
Other Purposes				13,354
Unrestricted	32,241	(72)	32,169	(24,158)
Total Net Assets	<u>\$ 553,710</u>	<u>\$ 14,555</u>	<u>568,265</u>	<u>\$ 20,585</u>

Some amounts reported for Business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with Business-type activities.

Net Assets of Business-type Activities

(1,645)
\$ 566,620

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2002

(in thousands)

	Enterprise Funds			Internal Service Funds
	Water Utility Fund	Golf Fund (Nonmajor)	Total	
Operating Revenues:				
Charges for Services	\$ 103,016	\$ 9,281	\$ 112,297	\$ 36,091
Miscellaneous	9,778	340	10,118	210
Total Operating Revenues	<u>112,794</u>	<u>9,621</u>	<u>122,415</u>	<u>36,301</u>
Operating Expenses:				
Personal Services	24,849	4,696	29,545	5,684
Contractual Services	32,763	2,059	34,822	6,059
Commodities	5,517	1,758	7,275	6,752
Cost of Goods Sold		327	327	
Benefits and Claims				20,057
Depreciation	24,747	814	25,561	9,191
Amortization of Goodwill	28	2	30	
Loss of Accounts Receivable Prepayment	920		920	
Total Operating Expenses	<u>88,824</u>	<u>9,656</u>	<u>98,480</u>	<u>47,743</u>
Net Operating Income (Loss)	<u>23,970</u>	<u>(35)</u>	<u>23,935</u>	<u>(11,442)</u>
Nonoperating Income (Expenses):				
Investment Income	1,948	10	1,958	1,156
Interest Expense	(16,106)	(313)	(16,419)	(213)
Gain (Loss) on Sale of Property/Equipment	114	(1)	113	766
Amortization of Cost of Issuance	(41)	(5)	(46)	
Other Nonoperating Income (Expenses)	(222)		(222)	(290)
Total Nonoperating Income (Expenses)	<u>(14,307)</u>	<u>(309)</u>	<u>(14,616)</u>	<u>1,419</u>
Net Income (Loss) Before Contributions and Transfers	<u>9,663</u>	<u>(344)</u>	<u>9,319</u>	<u>(10,023)</u>
Capital Contributions	<u>9,972</u>		<u>9,972</u>	
Transfers In				783
Transfers Out				(178)
Change in Net Assets	<u>19,635</u>	<u>(344)</u>	<u>19,291</u>	<u>(9,418)</u>
Net Assets - July 1	<u>537,969</u>	<u>14,899</u>		<u>30,003</u>
Prior Period Adjustment (Note 2)	<u>(3,894)</u>			
Net Assets Restated - July 1	<u>534,075</u>	<u>14,899</u>		<u>30,003</u>
Net Assets - June 30	<u>\$ 553,710</u>	<u>\$ 14,555</u>		<u>\$ 20,585</u>

Some amounts reported for Business-type activities in the Statement of Activities are different because the net revenue/expense of certain internal service funds is reported with Business-type activities.

(1,645)

Change in net assets of Business-type Activities

\$ 17,646

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2002
(in thousands)

	Enterprise Funds			
	Water Utility Fund	Golf Fund (Nonmajor)	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 111,583	\$ 9,538	\$ 121,121	\$ 36,097
Cash Payments to Suppliers for Goods and Services	(51,061)	(4,058)	(55,119)	(29,136)
Cash Payments to Employees for Services	(24,192)	(4,632)	(28,824)	(5,512)
Other Operating Revenues		1	1	208
Net Cash Provided (Used) by Operating Activities	36,330	849	37,179	1,657
Cash Flows from Noncapital Financing Activities:				
Interest Paid on Investment Pool Borrowings		(23)	(23)	
Net Cash Provided (Used) by Noncapital Financing Activities		(23)	(23)	
Cash Flows from Capital and Related Financing Activities:				
Bond Proceeds	64,887		64,887	
Acquisition and Construction of Capital Assets	(40,657)	(378)	(41,035)	(9,894)
Principal Paid on Capital Debt	(7,501)	(248)	(7,749)	(1,818)
Interest Paid on Capital Debt	(16,045)	(253)	(16,298)	(204)
Fiscal Agent Fees Paid on Capital Debt	(222)		(222)	
Proceeds from Sale of Property/Equipment	114	6	120	738
Proceeds from Sale of Certificates of Participation		37	37	
Net Cash Provided (Used) by Capital and Related Financing Activities	576	(836)	(260)	(11,178)
Cash Flows from Investing Activities:				
Interest on Investments	2,106	10	2,116	
Investment Income				1,255
Proceeds from Sale of Investments				10,275
Purchase of Investments				(13,655)
Net Cash Provided (Used) by Investing Activities	2,106	10	2,116	(2,125)
Net Increase (Decrease) in Cash and Cash Equivalents	39,012	0	39,012	(11,646)
Cash and Cash Equivalents - July 1	7,488		7,488	29,528
Cash and Cash Equivalents - June 30	<u>\$ 46,500</u>	<u>\$ 0</u>	<u>\$ 46,500</u>	<u>\$ 17,882</u>

See Accompanying Notes to Basic Financial Statements

	Enterprise Funds			Internal Service Funds
	Water Utility Fund	Golf Fund (Nonmajor)	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)				
by Operating Activities:				
Operating Income(Loss)	\$ 23,970	(35)	\$ 23,935	\$ (11,442)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)				
by Operating Activities:				
Depreciation/Goodwill Amortization	24,775	816	25,591	9,191
Other Adjustments				19
Decrease (Increase) in Assets:				
Accounts Receivable	(4,129)	(82)	(4,211)	6
Advances Receivable				(155)
Due from Other Agencies				(33)
Due from Other Funds				12
Prepaid Expenses	(8)	(2)	(10)	73
Inventories	10	(52)	(42)	
Long-term Accounts Receivable	5,930		5,930	
(Decrease) Increase in Liabilities:				
Accounts Payable	2,426	(30)	2,396	(1,427)
Accrued Payroll Liabilities	657	64	721	171
Unearned Receipts - Area				
Development Fees	(474)		(474)	
Customer/Refundable Deposits	(1,618)		(1,618)	(25)
Claims and Judgements Payable - Long-term				(1,782)
Claims and Judgements Payable - Short-term				7,035
Due to Other Agencies	875	170	1,045	14
Interfund Payables - Unrestricted	(16,084)		(16,084)	
Net Cash Provided (Used)				
by Operating Activities	\$ <u>36,330</u>	\$ <u>849</u>	\$ <u>37,179</u>	\$ <u>1,657</u>

Noncash investing, capital financing activities:

In the Fleet Service Internal Service Fund, City funds contributed vehicles and equipment with a net book value of \$1,001, a prior period adjustment of \$96 was made for vehicles contributed but not previously recorded, and eighteen solid waste removal vehicles were purchased through a capital lease purchase agreement for \$2,960.

In the Water Utility Fund, developers contributed water systems valued at \$9,972 and a prior period adjustment of (\$7,509) was made to write-off disposed assets and correct depreciation.

In the Water Utility Fund, other noncash transactions included: an accounts receivable of \$5,410 for a legal settlement, accrued interest of \$208 earned on the legal settlement, and a loss of \$920 recognized on an early payoff of an accounts receivable.

In the Self Insurance Internal Service Fund, a loss of \$4 from the disposal of a fixed asset and a prior period adjustment of (\$771) was made to transfer capital assets to other funds.

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002
(in thousands)

	Pension Funds	Agency Funds
<u>Assets</u>		
Pooled Cash	\$ 3,862	\$ 796
Accounts Receivable:		
City Contributions	398	
Employee Contributions	296	
Interest and Dividends	1,852	11
Due from Brokers	39,783	
Miscellaneous		3,282
Total Accounts Receivable	42,329	3,293
Investments, at Fair Value:		
Short-term Investments	23,380	
Securities Lending Cash Collateral	22,453	
U.S. Government Obligations	63,480	
Corporate Bonds	35,895	
Common Stocks	219,169	
Preferred Stocks	320	
International Bonds	6,233	
International Equity Group Trust	58,957	
Mortgage Bonds Mutual Fund	56,371	
Real Estate	21,917	
Total Investments	508,175	
Due from Other Agencies	1	353
Fixed Assets - Net of Accumulated Depreciation	6	
Total Assets	554,373	4,442
<u>Liabilities</u>		
Accounts Payable	633	462
Due to Other Agencies	1	3,980
Due to Securities Borrowers	22,461	
Due to Brokers	40,025	
Accrued Payroll Liabilities	7	
Total Liabilities	63,127	4,442
<u>Net Assets</u>		
Held in Trust for:		
Employees' Pension/Retirement Benefits	491,246	
Total Net Assets	\$ 491,246	\$ 0

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2002
(in thousands)

	Total Pension Funds
Additions:	
Contributions:	
Employees	\$ 16,120
Employer	10,543
Other Plans	207
Total Contributions	<u>26,870</u>
Investment Income:	
Net Increase (Decrease) in Fair Value of Investments	(47,685)
Interest, Dividends and Other Income	12,858
Real Estate Income	2,103
Securities Lending Income	675
Total Investment Income	<u>(32,049)</u>
Less: Investment Activity Expense	<u>2,236</u>
Less: Securities Lending Expense	<u>561</u>
Net Investment Income	<u>(34,846)</u>
Total Additions	<u>(7,976)</u>
Deductions:	
Payments to Participants	22,248
Refunds and Transfers to Other Plans	4,730
Administrative Expense	445
Total Deductions	<u>27,423</u>
Change in Net Assets	<u>(35,399)</u>
Net Assets - July 1	<u>526,645</u>
Net Assets - June 30	<u>\$ 491,246</u>

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting framework and the most significant accounting principles and practices of the City of Tucson (City) are discussed in subsequent sections of this note. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

These financial statements represent the City and its component units. The component units of the City are discussed below:

The Rio Nuevo Multipurpose Facilities District (District) was created in July 1999 to take advantage of a State law under which the State will provide incremental tax financing to help develop multipurpose facilities in the downtown Tucson area. The District is governed by a Board of Directors appointed by the Mayors and Councils of the Cities of Tucson and South Tucson. Through a weighted-average voting system, the City maintains control of the District. The governing body of the District is not substantially the same as the governing body of the City, and the District will provide revitalization and economic development opportunities in the downtown area of the City. Therefore, the District is included within these basic financial statements as a discretely presented component unit. Separately issued financial statements are not issued.

The Tucson Supplemental Retirement System (System or TSRS) is a single-employer defined benefit plan established by the City and administered by a six-member Board of Trustees. Although the system is a separate legal entity and presents separate financial statements, its sole purpose is to provide services exclusively to the City, and it is included as a Pension Trust Fund in these basic financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Assets and Statement of Activities) report information on all nonfiduciary activities of the primary government. Governmental activities, which are normally supported by taxes and intergovernmental revenues, include all governmental funds, along with internal service funds. Business-type activities, which rely to a significant extent on fees and charges for services, include the enterprise funds and are reported separately from the governmental activities.

The Statement of Net Assets reports the assets and liabilities of the primary government. The net asset section of this statement represents the residual amount of assets less their associated liabilities, and it is divided into three categories. The first category is *Invested in Capital Assets, Net of Related Debt*, which includes all capital assets, net of accumulated depreciation, less any debt outstanding associated with the assets. Capital assets cannot readily be sold and converted into cash. The second category is *Restricted Net Assets*, which includes those assets, net of their related debt, that have a constraint placed on their use. The constraints are either: 1) externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The final section is *Unrestricted Net Assets*, and this represents net assets that generally can be used for any purpose. However, they are not necessarily in a spendable form, like cash.

The Statement of Activities shows the degree to which direct expenses of various City functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges for services, fines and forfeitures, and licenses and fees, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items, not properly included among program revenues, are reported as general revenues at the bottom of the statement. The general revenues support the net costs of the functions and segments not covered by program revenues.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide statements. In general, major individual funds are reported as separate columns in the fund financial statements, while nonmajor funds are displayed in aggregate.

C. Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The City accounts for the operations of each fund through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1. Governmental Funds

Major Funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Mass Transit Fund - This fund is used to account for all the financial resources necessary to operate the fixed route and paratransit services within the Tucson Metropolitan area.

Nonmajor Funds:

Special Revenue Funds - These funds and certain other governmental funds are used to account for the proceeds of specific revenue sources (other than proprietary and fiduciary functions) that are restricted to expenditures for specified purposes. This includes federal grants and various City functions such as solid waste management and library.

Debt Service Funds - These funds and certain other governmental funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs for General Obligation, Street and Highway, and Special Assessment Bonds.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by General, Special Revenue, or Proprietary Funds) using proceeds from the sale of General Obligation, Street and Highway, and Special Assessment Bonds.

Permanent Fund - This fund is used to account for non-city contributions legally restricted so that only earnings, and not principal, may be used to finance City programs.

2. Enterprise Funds

These funds are used to account for certain operations that provide services to the general public for a fee. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The City has two enterprise funds:

Major Fund:

The Water Utility Fund accounts for the financing and operation of all activities necessary to provide water services to the Tucson Metropolitan area. Since the Water Utility is a segment accounted for within an individual fund, no further segment information is presented in these notes.

Nonmajor Fund:

The Golf Course Fund accounts for the financing and operation of the City's golf courses, driving ranges, and clubhouses. Since the Golf Fund is a segment accounted for in a separately presented individual fund, no further segment information is presented in these notes.

3. Internal Service Funds

These funds are used to account for the financing of self-insurance and motor pool services provided to City departments on a cost-reimbursement basis. Because the principal users of the internal service funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column on the government-wide Statement of Net Assets. The costs of the internal service fund services are spread to the appropriate functions on the government-wide Statement of Activities, and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any "doubling up" effect of these revenues and expenses.

4. Fiduciary Funds

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Pension Trust and Agency Funds. The Pension Trust Funds are accounted for in essentially the same manner as proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported on the flow of economic resources measurement focus and accrual basis of accounting, as are the proprietary and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual (i.e., when they are both "measurable and available"). "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the related liability is incurred. However, principal and interest on general long-term debt are recorded as fund liabilities when the payment is due or when amounts have been accumulated in the debt service fund for payment early in the following fiscal year. Certain compensated absences, claims and judgments, and landfill closure and postclosure care expenditures are recorded when payment is due. In general, only matured assets

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

and liabilities are shown on the balance sheets and unreserved fund balance is considered a measure of “available spendable resources.”

Major revenue sources susceptible to accrual are: property taxes and special assessments when an enforceable legal claim has arisen, grants and similar items when all eligibility requirements are met, and privilege and other taxes. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Governmental fund inventories, deposits, and long-term advances receivable do not represent “available spendable resources” and are offset by fund balance reserve accounts.

The City’s proprietary funds apply all applicable Financial Accounting Standards Board (FASB) Statements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, (i.e., charges to customers or users who purchase or use the goods or services of that activity). Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity. Water connection fees for the Water Utility, established at an amount necessary to recover related costs, are recorded as operating revenues.

The City does not currently employ an indirect cost allocation system. The general fund and certain other funds charge service fees to other operating funds to support general services used by the operating funds (like accounting and maintenance). These fees are shown as expenditure credits to prevent the “doubling up” effect within the funds.

E. Budgetary Information

On June 3, 1980, the voters of the State of Arizona approved an expenditure limitation that is applicable to all local governments. This limitation, based on expenditures of the 1979-80 fiscal year, restricts the growth of expenditures based on a factor of increases in population and inflation. Certain expenditures are held to be excludable. The limitation is set by the State Economic Estimates Commission prior to April 1 of each year for the following fiscal year.

The City, therefore, formulates its annual budget to ensure compliance with the applicable provisions of this limitation. The City uses the following procedures and policies in establishing the budgetary data reflected in the financial statements:

1. On or before the first Monday in June of each year, the City Manager submits to the Mayor and Council a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed operating and capital expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

3. Prior to July 1, Mayor and Council legally enact the budget through passage of a resolution. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget in total, and from the resolution itself that limits expenditures by fund and by departmental groupings. Transfers of sums within a specific fund or departmental group may be made upon City Manager approval.
4. All appropriations lapse at year-end.
5. Supplementary budgetary appropriations would require approval of Mayor and Council; none were necessary during the fiscal year ended June 30, 2002.

F. Encumbrances

Encumbrances outstanding at year-end are reported as reservations of fund balance in the General Fund and other governmental funds, and are not recognized as expenditures for budgetary or generally accepted accounting principle purposes.

No reservation of fund balance is made for Special Revenue Grant Funds that are funded on a reimbursable basis. At June 30, 2002, these balances were as follows:

<u>Fund</u>	<u>Encumbered at June 30, 2002</u>
Human and Community Development Fund	\$ 1,977
Public Housing Fund	58
Miscellaneous Housing Grant Funds	6,899
Other Federal Grant Funds	4,333
Non-Federal Grants Fund	54
Mass Transit Fund	2,517
	<u>\$ 15,838</u>

G. Cash and Cash Equivalents

For purposes of the statements of cash flows, which are prepared for the enterprise and internal service funds, the City considers all highly liquid investments (including the funds' participation in the investment pool account and appropriate restricted assets) to be cash equivalents. Individual fund investments with an initial maturity of 3 months or less when purchased are considered to be cash equivalents.

H. Investments

Investments are reported at fair value. The fair value of the pooled investments is based on current market prices. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value.

Interest and dividend income is recognized on the modified accrual basis except for proprietary funds that are on the accrual basis. Changes in the fair value of investments are recognized as revenue on a monthly basis. Income from pooled investments is allocated to the individual funds based on each fund's monthly average daily cash balance in relation to the total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. This is the case for certain special revenue funds. Income from non-pooled investments is recorded based on the specific investments held by the fund. All other interest income is recorded in the fund that earned the interest.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**I. Accounts/Notes Receivable**

Accounts Receivable of the major and nonmajor governmental and proprietary funds and fiduciary funds as of June 30, 2002, are reported in the accompanying basic financial statements net of allowance for doubtful accounts, as follows:

	General Fund	Mass Transit Fund	Other Nonmajor Governmental Funds	Water Utility Fund	Nonmajor Golf Course Fund	Fiduciary Funds
Accounts Receivable	\$ 9,788	\$ 518	\$ 1,426	\$ 18,241	\$ 110	\$ 45,622
Less: Allowance for Doubtful Accounts	<u>434</u>	<u>8</u>	<u> </u>	<u>801</u>	<u> </u>	<u> </u>
	<u>\$ 9,354</u>	<u>\$ 510</u>	<u>\$ 1,426</u>	<u>\$ 17,440</u>	<u>\$ 110</u>	<u>\$ 45,622</u>

The Enterprise Funds' assets and revenues include \$6,088 for water sales delivered, but unbilled at June 30, 2002.

The City Community Services Department funds many loans to homeowners through Housing and Urban Development financing. The loans are placed on each homeowner's title as a lien against the property naming the City as the lienholder. Dependent upon the homeowner's qualification, an affordability period (from 5 to 20 years) is determined. Each lien is forgiven evenly over the determined affordability period. The City only receives a payoff if a property is sold prior to the end of the affordability period (some sales do not result in payment to the City). Less than 10% of these liens have resulted in payoffs to the City in the past 5 years and have totaled approximately 5% of the original loans. As of June 30, 2002, these loans totaled \$6,477. Due to the immateriality and infrequent payoff of these loans, notes receivable are not recorded and the revenues for such amounts are recorded when payments are received.

J. Inventories/Prepays

Inventories and prepaid items are reported using the consumption method. Inventories of the governmental and enterprise funds consist primarily of expendable supplies held for consumption. These inventories are maintained on a perpetual system and are primarily valued using the weighted-average cost method, which is not in excess of market. At the time inventories/prepays are consumed, expenditures are recorded in the governmental funds and expenses are recorded in the enterprise funds. In the governmental funds, a reservation of fund balance is established for the inventory amount. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. A reservation of funds is established for prepaid items that are material.

K. Restricted Assets/Liabilities

In accordance with applicable covenants of enterprise fund bond issues or other agreements, appropriate assets and liabilities have been restricted. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

L. Capital Assets

Capital assets, which include property, equipment, buildings, and infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), are depreciated and reported in the applicable governmental or business-type activity columns in the government-wide financial statements. No capital assets or depreciation are shown in the governmental fund financial statements.

Capital assets have an estimated useful life greater than one year and are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimated useful lives for City assets are determined on a variety of methods that include engineering estimates, industry standards, and replacement cycles. Water Utility plant, property, and equipment acquired prior to June 30, 1965, are stated at estimated historical cost. Additions subsequent to that date are stated at cost. Donated fixed assets are valued at their estimated fair value on the date donated. The capitalization threshold for equipment is \$5.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Construction of capital assets and improvements are capitalized when the project is completed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Land and construction-in-progress are not depreciated.

	<u>Estimated Useful Life (Years)</u>
Buildings and Building Improvements	20-40
Improvements Other Than Buildings	10-40
Wells, Tanks and Improvements	40-100
Machinery and Equipment	3-20

The City's policy is to capitalize interest on proprietary fund capital projects if it is material, based upon the weighted-average interest method. No interest costs have been capitalized during the fiscal year in the Water Utility or Golf Course Funds as the amounts were not material. Interest on general government capital projects is not capitalized.

Neither the Water Utility Fund nor the Golf Course Fund levies special assessments to construct or purchase capital assets.

M. Goodwill

Enterprise fund goodwill is recorded upon acquisition of water companies or golf courses and represents the excess of cost over the fair market value at the time of acquisition. Goodwill is being amortized over forty (40) years on the straight-line method. The total goodwill and the amount amortized at June 30, 2002, were \$1,122/\$879 and \$65/56 for the Water Utility Fund and Golf Course Fund, respectively.

N. Long-Term Obligations

In the government-wide financial statements and for the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The amount capitalized under capital leases is the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. When a governmental fund type acquires a capital asset through a capital lease agreement, the acquisition is reflected as an expenditure and other financing source. Capitalized leases of proprietary funds are accounted for entirely within the respective proprietary fund by capitalizing the asset acquired and recording the lease obligation as a liability.

Bonds and other long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Compensated absences and landfill closure/postclosure costs are recognized as fund liabilities to the extent the liabilities mature or come due for payment each period in the governmental fund statements. These costs are accrued and reported as liabilities in the Statement of Net Assets.

O. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

1. In addition to the reserves of fund balance for inventories and encumbrances, the City has established other reservations of fund equities as follows:

Reserved for Debt Service represents amounts maintained under the provisions of various bond ordinances or amounts reserved for future debt service requirements.

Reserved for Capital represents the following: proceeds from capital lease agreements to be used for various capital projects and other various construction projects in the Mass Transit Fund (\$96) and in the General Fund (\$2,102); funds reserved for equipment purchases and construction projects (\$5,679) in the other Special Revenue Funds; and bond proceeds reserved for construction projects (\$27,476) in the Capital Project Funds.

Reserved for Advances and Deposits represent amounts the City has advanced to or deposited with outside agencies or other funds.

Reserved for Employees' Retirement Benefits represents the equity of the Tucson Supplemental Retirement System (\$433,094) and the Deferred Compensation Fund (\$58,152), which are reserved for future payments to their respective members.

Reserved for Environmental and Solid Waste mandates represents amounts to cover landfill closure/post-closure costs.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Reserved for Other Purposes represents amounts reserved for purposes designated by contributors in the special revenue and permanent funds; reserves for grant compliance purposes; reserves for prepaid expenditures in various special revenue funds; and reserves for the following purposes in the General Fund:

Community Resources Center	\$	215
Police Projects		626
Parking Program		498
Low Income Housing Maintenance		399
Parks Foundation		436
City Courts Projects		620
Communications 911		26
COPS Issuance Costs		4
GLBT Commission		12
Total General Fund Reserved for Other Purposes	\$	<u>2,836</u>

2. The City had the following designations of unreserved fund balance in the General Fund as of June 30, 2002:

Deferred Maintenance	\$	3,921
Future Debt Service		1,341
Cable License		1,372
	\$	<u>6,634</u>

P. Interfund Transactions

Transactions that would be treated as revenue, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenue, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the Statement of Net Assets as Internal Receivables/Payables. The "doubling up" effect of internal service fund activity has been removed by adjusting the expenses shown in the various functions in the Statement of Activities.

Q. Donor-Restricted Endowments

The City receives gifts and donations from individuals/organizations to support various City functions. The net appreciation of investments was \$62 and is included in restricted net assets as Expendable Permanent Endowments (\$6) and as Restricted for Other Purposes (\$56). Investment income is expended based on restrictions conveyed in the endowment agreements. If agreements do not stipulate the use of investment income, it is used to cover administrative costs. There are no state laws governing the expenditure of investment income for City donations.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

R. Comparative Data

Comparative data has not been presented in the basic financial statements or in other individual statements, since their inclusion would make the statements unduly complex and difficult to read.

S. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 – ACCOUNTING CHANGES AND RESTATEMENTS:

The City implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and the related Statement Numbers 37 and 38 during this fiscal year. In addition, the City implemented Interpretation No. 6 of the GASB, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. These statements significantly changed the reporting model shown in this Comprehensive Annual Financial Report. Specific accounting policies pertaining to GASB 34 are discussed in Note 1.

Per the provisions of Statement No. 34, fiduciary funds are now used to account for assets held in a trustee or agency capacity for outsiders, not for the benefit of the government itself. Therefore, the Civic Contribution Fund has been reclassified from an expendable trust fund to a special revenue fund, and the Civic Endowment Fund has been reclassified from a nonexpendable trust fund to a permanent fund. A permanent fund is a new fund type that reports resources that are legally restricted to the extent that only earnings, and not principal, may be used to finance operations.

In the prior year, Rio Nuevo was reported as a blended component unit Special Revenue Fund. However, in the current year, it is a discretely presented component unit. In addition, the Mass Transit Fund is presented as a major governmental fund in the current year, but not in the prior year. Each of these changes is reflected in the beginning fund balance presented for Nonmajor Governmental Funds in the chart below.

An adjustment was also necessary in the nonmajor governmental funds to reverse revenue recognized in prior periods related to capital improvement expenditures in a Special Assessment Special Revenue Fund prior to the issuance of related bonds. In addition, within the Water Fund, an adjustment was necessary to write off certain capital assets that were replaced in prior years.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 2 – ACCOUNTING CHANGES AND RESTATEMENTS (Continued):

The impact of these changes is shown below:

Change in nonmajor governmental funds

Fund Balances reported as of June 30, 2001

Special Revenue \$ 49,500

Debt Service 2,375

Capital Projects 33,160

Total previously reported, June 30, 2001 \$ 85,035

GASB Statement No. 34 Modifications

Civic Contributions Fund previously reported in Expendable
Trust Funds, currently reported as a Special Revenue Fund \$ 1,543

Civic Endowment Fund previously reported as a Non-Expendable
Trust Fund, currently reported as a Permanent Fund 156

Mass Transit Fund previously reported as a Special Revenue
Fund, currently reported as a Major Governmental Fund (467)

Rio Nuevo Fund Previously reported as a Special Revenue Fund,
currently reported as a discretely-presented component unit
(deficit balance as of June 30, 2001) 2,217

Other Adjustment - Reversal of revenue (5,227)

Restated nonmajor fund balances, June 30, 2001 \$ 83,257

Change in Proprietary Funds

Fund Equity Reported as of June 30, 2001

Water Utility Fund \$ 537,969

Adjustment - Write off of capital assets (3,894)

Restated net assets, June 30, 2001 \$ 534,075

Note 3 - PROPERTY TAX:

Property taxes are levied and collected by the Pima County Treasurer on behalf of the City. Property taxes are levied no later than the third Monday in August and are payable in two installments. Taxes become delinquent after the first business days of November and May, respectively, and a lien against the assessed property attaches if payments are not received by those dates.

The State Constitution and State law specify a property tax levy limitation system. The system consists of two levies: a limited levy known as the primary property tax levy and an unlimited levy referred to as the secondary levy, which may be used only to retire bonded indebtedness.

The primary property tax levy is limited to an increase of 2% over the previous year's maximum allowable primary levy, plus an increased dollar amount due to a net gain in property not taxed the previous year. Also, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1% of their homes' market values. If the combined primary property tax (for the city/town, county, etc.) exceeds 1% of the market value of the homes, the school districts will reduce their rates until the homeowners' aggregate rate is equal to or less than the allowable 1%. The State will then subsidize the school districts for the reduced revenue. This 1% limitation applies to primary property taxes and does not affect the secondary property tax levy.

Note 3 - PROPERTY TAX (Continued):

There is also a control on the assessed value of property for primary tax purposes. The base year for the tax system is fiscal year 1978-79. From this base year, two assessed values evolve. The primary assessed values are controlled by being allowed to grow or increase by no more than 10% a year. The dollar amount of the secondary property tax levy is unlimited, and the actual full cash value of property is used in determining the tax rate.

Note 4 - DEPOSITS AND INVESTMENTS:

The City maintains an investment pool that is available for use by all City funds. Each fund's portion of this pool is reported on the financial statements as "Pooled Cash and Investments." All assets of the investment pool are held by a single master custodian. In addition, certain cash and investments are also held separately by various City funds.

The majority of deposits and investments of the Tucson Supplemental Retirement System Fund and the Deferred Compensation Fund are held separately from those of other City funds by a master custodian. However, biweekly contributions to these two funds are held in the investment pool to cover recurring expenditures.

A. Deposits

At year-end, the book value of the City's cash and deposits was \$1,794 and the bank balance was \$1,822. The difference of \$28 represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2002. This total bank balance was covered by federal depository insurance or collateral held by the City's agents in the City's name.

Cash with fiscal agents in the General Fund (\$2,820), the other nonmajor governmental funds (\$25,513), and the enterprise funds (\$14,596) on June 30, 2002, were covered by collateral held in the fiscal agents' trust departments but not in the City's name. Each trust department pledges a pool of collateral against all trust deposits it holds.

B. Investments

For the City investment pool, the City Charter and State Statutes authorize the City to invest in obligations of the U.S. Government, its agencies and instrumentalities, money market funds consisting of the above, repurchase agreements, bank certificates of deposit, commercial paper rated A-1/P-1, corporate bonds and notes rated AAA or AA, and the State of Arizona Local Government Investment Pool. Operating and capital projects funds may be invested for a maximum of 3 years based on projected construction schedules.

The Deferred Compensation Fund is a trust governed by a Management Board that authorizes investments in U.S. Government obligations and agency issues, corporate bonds, real estate, and money market funds. The Supplemental Retirement Fund has no specific restrictions, guidelines, or legal lists of investments. The City Code provides that the Board of Trustees will make investments in accordance with the "prudent person rule."

Short-term investments are made up of commercial paper, time deposits, guaranteed investment contracts, and other short-term investments.

The City's investments at year-end are categorized below to give an indication of the level of custodial credit risk assumed. Category 1 includes investments that are held by the City or its agent in the City's name or are insured or registered. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterpart's trust department or agent in the City's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparts, or by its trust department or agent but not in the City's name.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

	Category			Fair Value
	1	2	3	
U.S. Issues:				
Government and Agency Securities				
not on Securities Loan	\$ 179,773	\$	\$	\$ 179,773
Corporate Bonds not on Securities Loan	41,395			41,395
Corporate Stock not on Securities Loan	218,405			218,405
Non-U.S. Issues:				
International Bonds not on Securities Loan	6,233			6,233
International Stock not on Securities Loan	51,675			51,675
	<u>\$ 497,481</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 497,481</u>
Investments - Not Categorized:				
Investments Held by Broker-Dealers Under				
Securities Loans with Cash Collateral:				
U.S. Government and Agency Securities				8,521
U.S. Corporate Bonds				4,799
U.S. Stock				764
International Bonds				7,602
Securities Lending Short-Term Collateral Investment Pool				22,453
Money Market Funds/Short-Term Investments				93,166
Mortgage Bonds Mutual Fund				56,371
Real Estate				21,917
Total Investments				<u>\$ 713,074</u>

There were no situations that occurred during the year which posed greater custodial credit risk than at June 30, 2002.

C. Securities Lending

The City Code and the Board of Trustees for the Tucson Supplemental Retirement System permit the System's custodian bank, Mellon Trust, to lend System securities to broker-dealers and other entities. Each loan is executed with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian bank lends U.S. securities for collateral initially valued at 102% of the market value plus any accrued interest. Non-U.S. securities are loaned for collateral initially valued at 105% of the market value of the securities plus any accrued interest. Collateral is marked-to-market daily. If the market value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day.

In the event of a borrower's default, the System's custodian bank is obligated to indemnify the System if, and to the extent that, the fair value of the collateral is insufficient to replace the loaned securities. Mellon Trust's responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations covering securities lending.

Although the average term of the System's security loans is one week, each loan can be terminated at will by either the System or the borrower. Cash collateral is invested in a short-term investment pool, which on average had a weighted maturity of 30 days. The relationship between the maturities of the investment pool and the System's security loans are affected by the maturities of the loans made by other entities that use the agent's pool.

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The System cannot pledge or sell collateral securities received until, and unless, a borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses known to the securities lending agent. As of June 30, 2002, the System had no credit risk exposure to borrowers because the fair value of collateral held exceeded the fair value of securities loaned.

D. Derivatives

The Tucson Supplemental Retirement System permits the use of foreign exchange contracts by its international equity and fixed income managers. Two types of derivatives are permitted in the portfolio: forward foreign exchange contracts, and put options on fixed income securities and foreign currency. Only foreign exchange contracts were used during the fiscal year.

Forward foreign exchange contracts for the purchase or sale of foreign currency were entered into for investment and hedging purposes, to modify the foreign currency exposure of international securities held. In no case did this produce a "short" exposure in any currency. The duration of these contracts was three months or less and represented a net value of \$120 as of June 30, 2002.

During this time the portfolio was exposed to the failure of a counterpart to fulfill the contract which could give rise to a loss if foreign exchange rates move in an adverse fashion. This risk is controlled by dealing with a number of different counterparties of high credit standing which have been approved by the manager.

The System also permits the use of financial futures and options by its external domestic fixed income manager to reduce or eliminate undesirable/unintended risks, to maintain desirable risks so as to improve the portfolio's return patterns, and to enhance portfolio liquidity, flexibility and/or efficiency. The external domestic fixed income manager used long and short positions in exchange-traded U.S. Treasury futures during the year to modify exposure to various parts of the yield curve and to modify the risk characteristics of the portfolio that were open as of June 30, 2002. The government futures positions were fully supported by cash and cash equivalents. The net market exposure as of June 30, 2002 was \$128, and the duration of these contracts is three months.

Note 5 – INTERFUND BALANCES AND TRANSFERS:

Interfund balances and transfers include interfund receivables/payables, advances receivables/payables, and transfers. The interfund receivables/payables are short-term loans to cover temporary cash deficits in various funds and are expected to be repaid within one year. Interfund receivables/payables at June 30, 2002, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 17,590	\$ 441
Mass Transit Special Revenue Fund	79	3,444
Other Governmental Funds	396	13,835
Total Governmental Funds	<u>18,065</u>	<u>17,720</u>
Enterprise Fund:		
Golf Course Fund		345
Total All Funds	<u>\$ 18,065</u>	<u>\$ 18,065</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 5 – INTERFUND BALANCES AND TRANSFERS (Continued):

The above governmental interfund receivables/payables are eliminated in the consolidation of the fund statements and government-wide statements. The enterprise due from/to other fund balance is included as Internal Receivable/Payable on the government-wide Statement of Net Assets. There are interfund receivables/payables classified as Due From/To Other Agencies as listed below that are not included on the government-wide statements (Fiduciary Funds) or will be included as Internal Receivables/Payables on the Statement of Net Assets. The Due From/To Other Agencies balances at June 30, 2002, were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 124	\$ 261
Other Nonmajor Governmental Funds		2
Total Governmental Funds	<u>124</u>	<u>263</u>
Enterprise Funds:		
Water Utility Fund		76
Internal Service Funds		14
Fiduciary Funds	354	125
Total All Funds	<u>\$ 478</u>	<u>\$ 478</u>

The advances receivable/payable are long-term loans for capital expenditures, which have not been reimbursed, between the General Fund and the Special Assessment Capital Project Fund. These balances are included in interfund receivable/payables on the applicable fund financial statements and eliminated in the consolidation of the fund and government-wide statements.

Advances receivable/payable balances at June 30, 2002, were as follows:

<u>Fund</u>	<u>Advances Receivables</u>	<u>Advances Payables</u>
Governmental Funds:		
General Fund	\$ 6,694	\$
Other Nonmajor Governmental Funds		6,694
Total Governmental Funds	<u>\$ 6,694</u>	<u>\$ 6,694</u>

Transfers are primarily: 1) to move receipts restricted to debt service from the funds collecting the receipts to the debt service funds when payment is due, and 2) operational subsidies from the General Fund to various funds. All transfers are consistent with the operation of the governmental funds. Transfers made during the year ended June 30, 2002, were as follows:

<u>Fund</u>	<u>Transfers To</u>	<u>Transfers From</u>
Governmental Funds:		
General Fund	\$ 64,540	\$ 309
Mass Transit Special Revenue Fund		24,978
Other Nonmajor Governmental Funds	12,270	50,918
Total Governmental Funds	<u>76,810</u>	<u>76,205</u>
Internal Service Funds	178	783
Total All Funds	<u>\$ 76,988</u>	<u>\$ 76,988</u>

(Continued)

Note 6 – CAPITAL ASSETS:

The following is a summary of changes in the Capital Assets:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Reductions Transfers</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 121,855	\$ 6,656	\$ (7,613)	\$ 120,898
Construction-in-Progress	137,447	63,629	(58,086)	142,990
Buildings and Improvements	347,602	4,708	(37,311)	314,999
Equipment	171,889	34,143	(17,128)	188,904
Infrastructure	541,312	51,600		592,912
Totals at Historical Cost	<u>1,320,105</u>	<u>160,736</u>	<u>(120,138)</u>	<u>1,360,703</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	117,134	29,900	(14,958)	132,076
Equipment	103,582	19,792	(16,402)	106,972
Infrastructure	254,963	11,776		266,739
Total Accumulated Depreciation	<u>475,679</u>	<u>61,468</u>	<u>(31,360)</u>	<u>505,787</u>
Governmental Activities Capital Assets, Net	<u>\$ 844,426</u>	<u>\$ 99,268</u>	<u>\$ (88,778)</u>	<u>\$ 854,916</u>
Business-Type Activities:				
Land	\$ 52,147	\$ 1,825	\$ (3,067)	\$ 50,905
Construction-in-Progress	106,789	39,268	(49,948)	96,109
Distribution and Collection Systems	732,410	259,046	(209,681)	781,775
Buildings and Equipment	138,992	6,210	(1,774)	143,428
Totals at Historical Cost	<u>1,030,338</u>	<u>306,349</u>	<u>(264,470)</u>	<u>1,072,217</u>
Less Accumulated Depreciation for:				
Distribution and Collection Systems	173,710	18,860	(6,670)	185,900
Buildings and Equipment	34,601	5,887	(403)	40,085
Total Accumulated Depreciation	<u>208,311</u>	<u>24,747</u>	<u>(7,073)</u>	<u>225,985</u>
Business-Type Activities Capital Assets, Net	<u>\$ 822,027</u>	<u>\$ 281,602</u>	<u>\$ (257,397)</u>	<u>\$ 846,232</u>
Depreciation expense was charged to governmental functions as follows:				
Elected and Official				\$ 383
Support Services				16,792
Neighborhood Services				12,965
Environment and Development				6,556
Strategic Initiatives				16,906
Non-Departmental				7,866
Total Depreciation Expense				<u>\$ 61,468</u>

Accrual based capital asset additions, included in the Additions/Transfers Column, were \$101,525 for Governmental Activities and \$41,035 for Business-type Activities. The Additions/Transfers Column for Business-type Activities also include \$9,972 of assets donated by developers.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 7 - CHANGES IN LONG-TERM DEBT:

A summary of changes in long-term debt as of June 30, 2002, is as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Within One Yr.</u>
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 223,569	\$ 51,715	\$ (32,185)	\$ 243,099	\$ 6,070
Street & Highway Revenue Bonds	146,840	15,500	(6,645)	155,695	7,460
Federal Highway Loan		4,500	(800)	3,700	800
Special Assessment Bonds	4,171		(604)	3,567	539
Deferred Amount:					
on Premiums		1,711	(49)	1,662	
on Refundings		(1,048)	25	(1,023)	
Total Bonds and Notes Payable	<u>374,580</u>	<u>72,378</u>	<u>(40,258)</u>	<u>406,700</u>	<u>14,869</u>
Other Liabilities:					
Landfill Closure/Post Closure Costs	48,080	2,257	(6,337)	44,000	7,039
Arbitrage Rebate Tax Payable	779	101	(363)	517	
Capital Leases	78,180	3,741	(41,010)	40,911	7,119
Compensated Absences	21,565	19,986	(14,897)	26,654	15,749
Claims and Judgements	<u>35,999</u>	<u>20,057</u>	<u>(14,804)</u>	<u>41,252</u>	<u>7,035</u>
Total Other Liabilities	184,603	46,142	(77,411)	153,334	36,942
Governmental Activities Long Term Liabilities	<u>\$ 559,183</u>	<u>\$ 118,520</u>	<u>\$ (117,669)</u>	<u>\$ 560,034</u>	<u>\$ 51,811</u>
Business-type Activities:					
Enterprise Bonds	\$ 278,562	\$ 121,862	\$ (65,425)	\$ 334,999	\$ 8,102
Deferred Amount:					
on Premiums		4,668	(77)	4,591	
on Refundings		(7,475)	288	(7,187)	
Total Bonds and Notes Payable	<u>278,562</u>	<u>119,055</u>	<u>(65,214)</u>	<u>332,403</u>	<u>8,102</u>
Compensated Absences	<u>1,503</u>	<u>1,984</u>	<u>(133)</u>	<u>3,354</u>	<u>1,791</u>
Contracts Payable	<u>4,943</u>	<u>1,450</u>	<u>(561)</u>	<u>5,832</u>	<u>357</u>
Arbitrage Rebate Tax Payable	<u>110</u>			<u>110</u>	
Business-type Activities Long Term Liabilities	<u>\$ 285,118</u>	<u>\$ 122,489</u>	<u>\$ (65,908)</u>	<u>\$ 341,699</u>	<u>\$ 10,250</u>

Note 8 - LEASE OBLIGATIONS:

A. Capital Leases

The City has entered into several long-term capital leases involving the acquisition of real estate and equipment for general city purposes; these commitments are expected to be funded by the City's general, special revenue, and internal service funds.

(Continued)

Note 8 - LEASE OBLIGATIONS (Continued):

Below is a schedule by years of future minimum lease payments under the capital leases as of June 30, 2002.

Years ending June 30,	General City Funds
2003	\$ 8,976
2004	5,992
2005	5,557
2006	5,474
2007	4,409
2008-2012	16,962
2013-2017	2,648
2018-2020	1,257
Total Minimum Lease Payments	51,275
Less Amount Representing Interest (interest rates range from 3.70% to 12.00%)	10,364
Present Value of Net Minimum Lease Payments	\$ 40,911

Assets purchased through capital leases include buildings (\$8,686), improvements other than buildings (\$4,914), equipment (\$17,644) and land (\$9,950).

B. Operating Leases

Operating lease expenditures for FY 2001-02 were \$2,612. Minimum future lease payments on non-cancelable operating leases at June 30, 2002, were as follows:

Years ending June 30,	
2003	\$ 2,824
2004	2,862
2005	2,375
2006	1,941
2007	1,852
2008-2012	1,533
2013-2017	1,062
2018-2022	1,171
2023-2027	1,358
2028-2032	1,574
2033-2037	1,824
2038-2042	2,115
2043-2047	2,452
2048-2052	2,842
2053-2057	1,260
Total Minimum Future Lease Payments	\$ 29,045

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 9 - CONTRACTS PAYABLE:

A. Enterprise Funds

Long-term Contracts Payable as of June 30, 2002, were:

	<u>Water</u>	<u>Golf</u>
Contracts to Purchase Water Companies	\$ 1,189	\$
Equipment Contracts		4,643
Less Current Portion	339	18
Long-Term Contracts Payable	<u>\$ 850</u>	<u>\$ 4,625</u>

Water and Golf contracts bear interest rates of up to 7.0% and 5.7%, respectively. These contracts mature through June 2016, with varying payment terms.

The City purchased the Metropolitan Water Company, an Arizona limited partnership, on October 1, 1992, for \$14,176. A down payment of \$5,176 was made and a 13-year note at 7% annual interest was executed for the \$9,000 balance. Also on October 1, 1992, the City sold these assets and miscellaneous improvements to the Metropolitan Water Improvement District and the Oro Valley Domestic Water Improvement District for \$14,497 in cash. Adequate sales proceeds were invested in U.S. Treasury Strips with maturities scheduled to meet all future payment obligations by the City to the previous owners of the Metropolitan Water Company. These investments are reported as restricted assets of the Water Utility Fund.

As of June 30, 2002, principal payments of \$7,850 have been made on the Metropolitan Water Company purchase. The remaining principal is payable as follows:

January 1, 2003	\$ 300
January 1, 2004	450
January 1, 2005	400
Total Long-term Contracts Payable	<u>\$ 1,150</u>

B. Internal Service Funds

Long-term Contracts Payable as of June 30, 2002, were:

	<u>Self Insurance</u>	<u>Fleet Services</u>
Equipment Contracts	\$ 1	\$
Vehicle Contracts		4,128
Less Current Portion	1	1,733
Long-Term Contracts Payable	<u>\$ 0</u>	<u>\$ 2,395</u>

(Continued)

Note 10 - BOND ISSUES:**A. Enterprise Funds**

Water Revenue Bonds will provide funds to improve the potable and reclaimed water systems and ensure compliance with water quality requirements of the Environment Protection Agency and the Arizona Department of Environmental Quality. At June 30, 2002, the long-term portion of bonds payable was:

Water Utility Revenue Bonds Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2002
1984 Series D (1991)	9.75 %	2010	\$ 48,000	\$ 4,000
1992 April (Refunding)	6.2-6.35	2004	13,030	2,500
1992 September (Refunding)	5.5-6.0	2018	72,080	480
1993 March (Refunding)	5.25-5.50	2018	35,360	34,610
1994 Series A (1996)	6.0-8.0	2018	33,000	3,000
1994 Series B (1997)	4.50-6.25	2012	11,700	10,000
1997 July (Refunding)	4.20-5.125	2021	32,980	32,500
1998A Water Infrastructure Finance Authority (WIFA) Subsidized	3.425	2017	6,000	5,235
1994 Series C (1999)	4.75-6.75	2016	33,400	33,300
1999A Refunding	5.00	2010	14,045	13,070
1994 Series D (2000)	5.25-7.25	2024	23,740	23,740
2000 Water Infrastructure Finance Authority (WIFA) Subsidized	4.125	2020	5,120	4,937
2000 Water Infrastructure Finance Authority (WIFA) Unsubsidized	5.00	2020	7,780	7,525
2000 Series A (2001)	5.0-7.5	2023	37,800	37,800
2001A April (Refunding)	5.00	2016	40,850	38,240
2001 Water Infrastructure Finance Authority (WIFA) Subsidized	3.43	2021	7,342	7,342
2002 Refunding	5.50	2018	57,820	57,820
2000 Series B (2002)	3.5-5.125	2021	18,900	18,900
Total			<u>\$ 498,947</u>	<u>\$ 334,999</u>

B. General City Funds

General Obligation Bonds provide funds for construction of police facilities, street lighting improvements, construction of drainage sewers, environmental solid waste purposes, and the payment of costs relating to the issuance of the bonds. Debt service payments are scheduled annually from July 1, 2003 to July 1, 2021. Street and Highway User Revenue Bonds provide funds for construction/improvement to the City's roads and costs relating to the issuance of the bonds. Debt service payments are scheduled annually from July 1, 2003 to July 1, 2018. All General Obligation Bonds are payable from property taxes and all Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 10 - BOND ISSUES (Continued):

On July 1, 2001, the City issued \$26,680 General Obligation Bonds. The bonds represent the second installment of bonds to be issued pursuant to the May 16, 2000 authorization.

On July 1, 2001, the City issued \$15,500 Junior Lien Street and Highway User Revenue Bonds. The bonds represent the last installment of bonds to be issued pursuant to the May 17, 1994 authorization and the first installment of bonds to be issued pursuant to the May 16, 2000 authorization.

At June 30, 2002, bonds payable were:

General Obligation Bonds Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2002
1991 Refunding	6.20-7.50 %	2008	\$ 21,555	\$ 10,515
1984 Series E and F	6.17	2012	25,000	2,143
1992 Refunding	6.40-6.5	2012	51,550	14,195
1993 Refunding	4.40-4.90	2013	17,006	11,396
1984 Series G (1994)	7.625	2014	21,540	3,140
1995 Refunding	5.38-6.75	2012	34,575	26,825
1994 Series A (1995)	5.38-7.38	2020	23,600	19,100
1994 Series B (1996)	7.63	2015	24,745	3,745
1994 Series C (1997)	5.00-7.00	2021	10,510	10,510
1997 Refunding	4.40-5.25	2019	20,170	19,850
1998 Refunding	4.25-5.50	2021	26,470	26,410
1994 Series D (1998)	4.25-6.25	2018	11,010	11,010
1994 Series E (1999)	4.50-7.00	2019	13,855	13,705
2000 Series A (2000)	5.25-7.25	2020	18,840	18,840
2000 Series B (2001)	4.625-5.75	2020	26,680	26,680
2002 Refunding (Note 11)	5.00	2012	25,035	25,035
Total			<u>\$ 372,141</u>	<u>\$ 243,099</u>

Street and Highway Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2002
1992 Refunding	5.80-6.00 %	2004	\$ 15,150	\$ 3,930
1993 Refunding	5.20-5.50	2009	45,250	35,655
1993 Refunding	5.10-5.50	2012	48,450	33,245
1994 Series A (1995)	5.00-7.00	2015	10,900	10,900
1996 Refunding	4.20-6.00	2010	7,425	7,365
1994 Series B (1996)	5.50-7.50	2016	10,025	10,025
1994 Series C (1997)	5.00-7.00	2016	5,000	5,000
1994 Series D (1998)	4.75-6.60	2018	14,675	14,675
1994 Series E (2000)	5.00-7.00	2018	19,400	19,400
1994 Series F (2001)	4.75-6.00	2018	10,000	10,000
2000 Series A (2001)	4.75-6.00	2018	5,500	5,500
Total			<u>\$ 191,775</u>	<u>\$ 155,695</u>

(Continued)

Note 10 - BOND ISSUES (Continued):**C. Special Assessments**

Special assessments on City-owned property were \$142 of the \$3,567 total assessment. The remaining assessments of \$3,425 represent a contingent liability for all other special assessment issues. The City has a contingent liability to the extent that prepaid assessments and proceeds from liens foreclosed against properties within the special assessment districts are insufficient to retire outstanding bonds.

D. Annual Principal and Interest Requirements

Following is a summary of debt service requirements to maturity, including principal and interest:

Years Ending June 30,	Governmental Activities					
	General Obligation		Street and Highway		Special Assessment	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 6,070	\$ 13,246	\$ 7,460	\$ 8,569	\$ 539	\$ 171
2004	7,995	12,875	7,515	8,163	360	147
2005	8,395	12,403	7,910	7,761	288	129
2006	8,840	11,948	8,825	7,337	276	113
2007	7,728	13,064	9,240	6,855	229	100
2008-2012	54,255	51,627	52,920	25,915	755	372
2013-2017	70,956	35,202	51,250	10,678	905	171
2018-2021	78,860	9,602	10,575	520	215	5
Total	<u>\$ 243,099</u>	<u>\$ 159,967</u>	<u>\$ 155,695</u>	<u>\$ 75,798</u>	<u>\$ 3,567</u>	<u>\$ 1,208</u>

Years Ending June 30,	Governmental Activities		Business-Type Activities	
	Federal Highway Expansion & Extension Loan		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2003	\$ 800	\$ 96	\$ 8,102	\$ 17,575
2004	800	73	8,669	17,059
2005	800	49	9,368	16,605
2006	1300	19	9,993	16,109
2007			11,941	15,573
2008-2012			78,250	66,824
2013-2017			99,498	43,530
2018-2022			92,878	17,909
2023-2027			16,300	976
Total	<u>\$ 3,700</u>	<u>\$ 237</u>	<u>\$ 334,999</u>	<u>\$ 212,160</u>

Note 11 - ADVANCE REFUNDING/DEFEASANCE OF DEBT:

On April 3, 2002, the City issued \$25,035 General Obligation Refunding Bonds to refund a portion of General Obligation Bonds Series 1992 and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 5.0% with the final maturity due 7/1/2012. Debt service payments are scheduled semi-annually at amounts that range from \$306-\$8,195. The economic gain resulting from this refunding is \$1,612 (based upon NPV from delivery date). The difference in the cash flow requirements to service the old debt (\$55,835) and the cash flows to service the new debt (\$53,773) is \$2,062.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 11 - ADVANCE REFUNDING/DEFEASANCE OF DEBT (Continued):

On April 3, 2002, the City issued \$57,820 Water Utility Revenue Refunding Bonds to refund a portion of Revenue Bond Series 1992A and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 5.5% with the final maturity due 7/1/2018. Debt service payments are scheduled semi-annually at amounts that range from \$777-\$12,090. The economic gain resulting from this refunding is \$3,152 (based upon NPV from delivery date). The difference in the cash flow requirements to service the old debt (\$100,285) and the cash flows to service the new debt (\$96,123) is \$4,162.

In prior years, the City has defeased various bond issues by creating irrevocable trusts. The proceeds from the advance refundings have been deposited in these trusts and invested in U.S. Governmental Securities that are designed to meet the requirements of the refunded debt. The debt associated with the refunding issues, as well as the trust assets, has been removed from the City's basic financial statements. As of June 30, 2002, the amount of defeased debt outstanding, but removed, is Water Utility debt of \$142,765 and General Obligation and Street and Highway debt of \$79,267 and \$3,500, respectively.

Note 12 - LANDFILLS:

The U.S. Environmental Protection Agency ruling "Solid Waste Disposal Facility Criteria" requires the City to incur specified landfill closure and post-closure care costs. Closure requirements have been established for municipal landfills that received solid waste after October 9, 1991. Additional thirty-year post-closure monitoring and maintenance functions are required of landfills that accepted solid waste after October 9, 1993. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City records a liability for these required costs based upon each landfill's percentage of capacity used through June 30, 2002. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2002. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

In addition to the federal requirements discussed above, the City must comply with certain Federal/State requirements dealing with aquifer protection or clean-up. The recognition of this liability is also based on the percentage of landfill capacity used, and cost estimates are in current dollars. Total liability for closure/post-closure costs, including aquifer protection and clean-up, is as follows:

<u>Landfill Site</u>	<u>Landfill Capacity Used as of 6/30/02</u>	<u>Estimated Closure/Post- Closure Costs</u>	<u>Liability Recognized at 6/30/02</u>	<u>Estimated Closure/ Postclosure Cost to be Recognized in Future Years</u>	<u>Estimated Remaining Life in Years</u>
Los Reales	90 %	\$ 28,921	\$ 23,746	\$ 5,175	3
Harrison	100 %	7,541	7,541		
Irvington	100 %	2,703	2,703		
Vincent Mullins	100 %	7,990	7,990		
Silverbell	100 %	2,020	2,020		
Totals		<u>\$ 49,175</u>	<u>\$ 44,000</u>	<u>\$ 5,175</u>	

A reservation of fund balance of \$27,681 has been established in the General Fund to cover these closure/post-closure costs. Revised estimates of closure and post-closure costs are made annually.

The operation of the landfills is a function of the City's Solid Waste Management Department which is accounted for as a special revenue fund. The June 30, 2002, liability for closure and post-closure costs is \$44,000, which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

Note 13 - DEFERRED COMPENSATION PLAN:

The City offers its employees an internally-administered Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits the employees to defer a portion of their salaries until future years. The amount deferred is not available to employees until termination, retirement, death, or unforeseeable emergency.

Federal law requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries; therefore, the internally-administered Deferred Compensation Plan is recorded as a Trust Fund.

Note 14 - SINGLE-EMPLOYER AND AGENT MULTIPLE-EMPLOYER RETIREMENT SYSTEMS:

A. Description of Plans

1. Tucson Supplemental Retirement System The Tucson Supplemental Retirement System (System or TSRS) is a single-employer defined benefit plan for City employees. It was established in the City Charter to provide its members with a supplement to the retirement and disability benefits of the social security system. The System is governed by a six-member Board of Trustees: a chairman who is appointed by the Mayor and Council, the City's directors of Human Resources and Finance, two members elected by the membership of the System, and an ex-officio retired member. Benefit provisions and changes in benefits or funding are recommended by the Board of Directors and must be approved by Mayor and Council. The TSRS issues a publicly-available financial report that includes financial statements and required supplementary information. The financial statements may be obtained from their administrative office located at 255 W. Alameda Street, Tucson, AZ 85701.
2. Arizona Public Safety Personnel Retirement System The City contributes to the Arizona Public Safety Personnel Retirement System (System or APSPRS), an agent multiple-employer public employee retirement system established by the Arizona Revised Statutes. All commissioned Police and Fire employees of the City participate in the System. The Fund Manager and 181 Local Boards jointly administer the System. The Fund Manager is a five-member board. The governor appoints three members, and two members are appointed by the state legislature. Each eligible group participating in the System has a five-member Local Board. Three members are appointed by the chief elected official of the organization, and two members are elected by the active members of the eligible group. The Fund Manager is responsible for the investment of the System's assets. The Local Board is responsible for determining eligibility for membership, service credits, eligibility for benefits, timing of benefit payments, and the amount of benefits for its eligible group of employees. APSPRS issues a publicly-available financial report that includes financial statements and required supplementary information. The financial statements may be obtained from their administrative office located at 1020 East Missouri Avenue, Phoenix, AZ 85014.
3. Arizona Elected Officials' Retirement Plan The City contributes to the Arizona Elected Officials' Retirement Plan (Plan or AEORP), a cost-sharing, multiple-employer public employee retirement plan. At June 30, 2002, the City had 7 covered officials. Covered payroll for the year then ended was \$186 (out of the total City payroll of \$242,061). All elected officials of the City are members of the Plan.

State statutes require that the total contribution for an elected official be sufficient to meet the actuarially determined normal cost, plus the amount needed to amortize any unfunded liability. At the City, covered officials are required to contribute 7% of their salary to the Plan. The City contributes the remaining amounts necessary to finance benefits. The City's contribution for the year was \$13, and elected officials contributed \$13; contributions include amounts for current officials as well as for past officials permitted to join the plan pursuant to 1987 legislation.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 14 - SINGLE-EMPLOYER AND AGENT MULTIPLE-EMPLOYER RETIREMENT SYSTEMS

(Continued):

No additional disclosures regarding AEORP are provided due to its immateriality to these financial statements as a whole. Financial statements for the Plan are available by contacting Arizona Elected Officials' Retirement System at 1020 East Missouri Ave., Phoenix, AZ 85014.

B. Funding Policy

1. Tucson Supplemental Retirement System Currently, employee contributions are 5% of their annual covered payroll and are made through payroll deductions. A reserve is established for contributions and earnings allocations, less amounts transferred to reserves for retirement and disability and amounts reserved for terminated employees. If an employee leaves covered employment before attaining five years' service credit (eight years' service credit if the member dies), the accumulated contributions plus interest are refunded to the employee or his designated beneficiary. The City contributes the remaining amounts necessary to finance employee participation in the System and to fund the costs of administering the System. The City's contribution rate for the year ended June 30, 2002, was 7.35%.
2. Arizona Public Safety Personnel Retirement System Employees covered by APSPRS are required by State statutes to contribute 5% of their salary to the System. The System's funding policy provides for actuarially determined employer contribution rates which will provide assets sufficient to pay benefits when due. For the fiscal year ended June 30, 2002, the required employer contribution rates were 4.65% for both Police and Fire.

If a member leaves covered employment or dies and no benefit is payable, accumulated member contributions are refunded to the member or designated beneficiary.

C. Summary of Significant Accounting Policies

1. Tucson Supplemental Retirement System The System's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the System.

At June 30, 2002, there were no individual investments, other than those issued or guaranteed by the United States government, that represented 5 percent or more of plan net assets, and there were no long-term contracts for contributions to the plan.

2. Arizona Public Safety Personnel Retirement System The System's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Investment income, net of administrative and investment expenses, is allocated to each employer group based on the average relative fund size for each employer group for that year.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by fixed-income broker/dealers. Investment income is recognized as earned. Realized gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date.

At June 30, 2002, there were no individual investments, other than those issued or guaranteed by the United States government, that represented 5 percent or more of plan net assets, and there were no long-term contracts for contributions to the plan.

Note 15 - SELF-INSURANCE PROGRAM:

The City is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial coverage for Property Insurance, Public Employee Fidelity Bonds, Crime Insurance, Aircraft Insurance and Miscellaneous Insurance (i.e., surety bonds, special event insurance as needed, and fine arts coverage). The City retains all of the risk not covered by commercial carriers and has effectively managed risk through various employee education and prevention programs.

All risk management activities are accounted for in the Self-Insurance Fund, an Internal Service Fund. For none of the last three years have there been any settlements in excess of the insurance coverage provided by this fund.

Annually, the City estimates the liabilities for unpaid claims using a historical cost information method. Claims and expenditures are recognized when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated. Claims accounted for include reported and paid claims, reported but unpaid claims, and incurred but not reported (IBNR) claims. Unpaid claim liability amounts are reported at gross (no discounting).

Changes in the Self-Insurance Fund's aggregate claims liabilities for the fiscal years ended June 30, 2002, and 2001, are as follows:

	<u>2002</u>	<u>2001</u>
Beginning of fiscal year liability	\$ 35,999	\$ 25,172
Current year claims and changes in estimates	20,057	29,009
Claim Payments	(14,804)	(18,182)
Balance at fiscal year end	<u>\$ 41,252</u>	<u>\$ 35,999</u>

Note 16 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

In addition to the pension benefits described in Note 14, the City offers a health insurance benefit to those employees who have qualified to receive a monthly retirement allowance from the Tucson Supplemental Retirement System or the Arizona Public Safety Retirement System (Police and Fire) and are less than 65 years of age. These benefits apply only to employees retiring after the date the benefit programs were adopted by Mayor and Council (February 1, 1982, for Public Safety employees retiring before age 55; March 1, 1981, for Public Safety employees retiring after age 55 and for employees retiring under Tucson Supplemental Retirement System). Currently, 221 retirees meet those eligibility requirements. Depending upon date of retirement, the City pays between 75% and 100% of the medical insurance premiums for eligible retirees and their dependents.

The costs associated with this retirement benefit are expended as the appropriate medical insurance premiums are paid. During the 2001-02 fiscal year the City's portion of retiree medical insurance premiums was \$1,452. The City also provides the following life insurance coverage for all retirees of the City:

Retired prior to July 1, 1975	\$1,000 Coverage
Retired after July 1, 1975 and prior to July 1, 1987	\$2,000 Coverage
Retired after July 1, 1987 and prior to January 1, 1991	\$4,000 Coverage
Retired after January 1, 1991	\$5,000 Coverage

Currently 1,655 retirees receive life insurance benefits.

The costs associated with the life insurance premiums are expended as the insurance premium is paid. During the 2001-02 fiscal year, the amount incurred by the City for retiree life insurance was \$24.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

Note 17 - CONTINGENCIES AND COMMITMENTS:

A. Litigation

The City is subject to a number of lawsuits, investigations, and other claims (some of which involve substantial amounts) that are incidental to the ordinary course of its operations, including those related to wrongful death and personal injury matters. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a material adverse effect on the City's financial position.

B. Central Arizona Project Water Purchase Contract

The Central Arizona Water Conservation District (CAWCD) is the entity responsible for contracting with the U.S. Secretary of Interior for Central Arizona Project (CAP) water, and for subcontracting with users within the State of Arizona. Under a contract between the City, CAWCD, and the Department of the Interior, the City was granted the right to receive 138,920 acre-feet of CAP water each year for 50 years. In return, the City agreed to pay, over the same period, a water service charge that is designed to cover the Federal Government's costs of CAP construction. This service charge, which must be paid regardless of whether the City orders any CAP water, is adjusted annually and is on a per-acre-foot allocation basis. Commodity charges, designed to cover CAWCD operating and maintenance expenses, are based on the quantity of CAP water ordered by the City. During the year, total costs incurred under this agreement were \$7,673.

C. Construction and Other Commitments

In governmental fund types, construction and other commitments, if significant, are appropriately identifiable through reservations of fund balance.

D. Federal and State Grants

Accounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

E. Sale of Tucson House

On November 1, 1997, the City sold the Tucson House, a public housing apartment complex, to a limited partnership which has renovated the complex with money obtained through a Federal Home Loan Bank (FHLB) subsidy. Notes and interest receivables have been established for: the sales price, certain construction costs paid by the City, and accrued interest due on the notes at 7.5%. These amounts have been recorded as deferred revenue, and totaled \$11,634 at June 30, 2002.

An additional mortgage note with FHLB, in the amount of \$400, remains unexecuted. No liability for this note has been recorded at June 30, 2002.

According to the terms of the subsidy agreement, the Tucson House's units must be operated as affordable housing for 15 years, at the end of which time the City has the option to repurchase the renovated Tucson House in exchange for forgiveness of the debt. If the terms are violated, the City will be jointly liable (with the limited partnership) for repayment of the subsidy to FHLB. The likelihood of the Tucson House not being operated as a public housing facility is considered remote by the City.

Note 17 - CONTINGENCIES AND COMMITMENTS (Continued):

F. Financing of Posadas Sentinel Low-income Housing

On November 1, 1999, the City entered into a capital lease with Posadas Sentinel LLLP (the LLLP), whereby the City leased various properties to the LLLP for 75 years. Under the terms of the lease, the LLLP will develop and operate the properties solely as low-income residential housing facilities. The LLLP is financing the development through low-income housing tax credits from the State of Arizona, and through a \$9,220 line of credit from the City, which has been recorded by the City as notes receivable. The note balance, with accrued interest at 7.5% thereon, was \$7,710 at June 30, 2002.

Eligibility of the LLLP for the tax credits requires that the properties be operated as affordable housing for 15 years, at the end of which time the lease agreement may be terminated in exchange for forgiveness of the associated debt. The City has made certain commitments to ensure eligibility for the tax credit, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

Note 18 - SIGNIFICANT DISCRETELY PRESENTED COMPONENT UNIT TRANSACTIONS

During the fiscal year, the City sold the Tucson Convention Center to the Rio Nuevo Multipurpose District (District) for \$32.9 million. The District is a legally separate entity created to revitalize downtown Tucson. This project is being financed by tax increment financing (TIF). TIF funding requires the District to own a multipurpose sporting facility and the Tucson Convention Center sale to the District meets this requirement. The District will sublease the Convention Center to the City, in which the City will make annual lease payments. The annual lease payment for fiscal year 2002 was \$3,304.

Note 19 - SUBSEQUENT EVENT

Between August 13 and October 18, 2002, the City issued \$1,294 Improvement District Bonds Series 804 through 810 to finance sidewalks, paving, and lighting improvements. The interest rates on the bonds are 3.5% to 5.00% with the final maturity due January 1, 2012. Debt maturities are scheduled annually from January 1, 2003 through January 1, 2012 at amounts that range from \$4 to \$51.





Required Supplementary Information

CITY OF TUCSON, ARIZONA

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Original Budget, Final Budget, and Actual - General Fund

Year Ended June 30, 2002

(in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual vs. Final Budget Variance</u>
Revenues:				
Taxes:				
Property Taxes - Current	\$ 2,931	\$ 2,931	\$ 2,108	\$ (823)
Property Taxes - Delinquent			1,387	1,387
Public Utility Taxes	7,211	7,211	7,853	642
Business Privilege Taxes	105,770	164,456	158,140	(6,316)
Transient Occupancy Taxes	7,220	7,220	6,339	(881)
Other Taxes	2,749	2,749	2,687	(62)
Total Taxes	<u>125,881</u>	<u>184,567</u>	<u>178,514</u>	<u>(6,053)</u>
Licenses and Permits:				
Parking Meter Collections	547	547	702	155
Cable Television License and Grant	2,818	2,818	2,956	138
Utility Franchises	10,225	10,225	11,801	1,576
Other	338	338	407	69
Total Licenses and Permits	<u>13,928</u>	<u>13,928</u>	<u>15,866</u>	<u>1,938</u>
Fines, Forfeitures and Penalties:				
City Court Fines	4,392	4,392	5,424	1,032
Parking Violation Fines	1,209	1,209	541	(668)
Safer Traffic Education	1,000	1,000	1,816	816
Police Forfeitures			472	472
Other	145	120	69	(51)
Total Fines, Forfeitures and Penalties	<u>6,746</u>	<u>6,721</u>	<u>8,322</u>	<u>1,601</u>
Use of Money and Property:				
Investment Income	3,150	3,150	1,151	(1,999)
Rentals/Leases	2,769	2,769	2,063	(706)
Total Use of Money and Property	<u>5,919</u>	<u>5,919</u>	<u>3,214</u>	<u>(2,705)</u>
Other Agencies:				
Auto Lieu Taxes - State	16,303	16,303	19,058	2,755
Sales Taxes - State	39,119	39,119	37,533	(1,586)
State Grants	15,228	15,228	8	(15,220)
State Revenue Sharing	51,047	51,047	50,934	(113)
County Grants	5,686	5,686	211	(5,475)
Other	578	578	7,116	6,538
Total Other Agencies	<u>127,961</u>	<u>127,961</u>	<u>114,860</u>	<u>(13,101)</u>
Charges for Current Services:				
Building Inspection Fees	8,429	8,429	8,692	263
Recreation Fees	3,677	3,677	3,321	(356)
Paramedic Services	3,900	3,900	4,101	201
Special Duty Police Officers	3,000	3,000	2,313	(687)
Other	804	804	781	(23)
Total Charges for Current Services	<u>19,810</u>	<u>19,810</u>	<u>19,208</u>	<u>(602)</u>
Miscellaneous Revenue:				
Sale of Equipment	147	147	353	206
Balance Available from Prior Years (1)	37,299	37,300	14	(37,286)
Recovered Expenditures	1,937	1,937	647	(1,290)
Other	88	88	312	224
Total Miscellaneous Revenue	<u>39,471</u>	<u>39,472</u>	<u>1,326</u>	<u>(38,146)</u>
Total Revenues	<u>339,716</u>	<u>398,378</u>	<u>341,310</u>	<u>(57,068)</u>
Expenditures:				
Current:				
Elected and Official:				
Personal Services	12,776	12,707	12,153	554
Contractual Services	1,834	1,829	1,691	138
Commodities	876	912	701	211
Other	(419)	1,639	1,931	(292)
Interactivity Transfers	1,629	(371)	(409)	38
Total Elected and Official	<u>16,696</u>	<u>16,716</u>	<u>16,067</u>	<u>649</u>

(1) Portion of prior year's fund balance budgeted for use in 2001-02 fiscal year

CITY OF TUCSON, ARIZONA

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Original Budget, Final Budget, and Actual - General Fund

Year Ended June 30, 2002

(in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual vs. Final Budget Variance</u>
Expenditures (Continued):				
Support Services:				
Finance:				
Personal Services	\$ 6,402	\$ 6,426	\$ 6,552	\$ (126)
Contractual Services	698	698	620	78
Commodities	433	385	331	54
Other	(69)	(71)		(71)
Interactivity Transfers	(560)	(560)	(549)	(11)
Total Finance	<u>6,904</u>	<u>6,878</u>	<u>6,954</u>	<u>(76)</u>
Budget and Research:				
Personal Services	1,636	1,638	1,653	(15)
Contractual Services	415	413	321	92
Commodities	128	115	139	(24)
Other	(18)	(3)		(3)
Total Budget and Research	<u>2,161</u>	<u>2,163</u>	<u>2,113</u>	<u>50</u>
Procurement:				
Personal Services	3,363	3,378	3,280	98
Contractual Services	439	391	371	20
Commodities	2,284	2,282	2,110	172
Other	(32)			
Interactivity Transfers	(2,809)	(2,811)	(2,593)	(218)
Total Procurement	<u>3,245</u>	<u>3,240</u>	<u>3,168</u>	<u>72</u>
Information Technology:				
Personal Services	4,887	4,892	4,871	21
Contractual Services	3,758	3,391	2,817	574
Commodities	1,747	2,288	2,071	217
Other	(97)			
Interactivity Transfers	(553)	(553)	(628)	75
Total Information Technology	<u>9,742</u>	<u>10,018</u>	<u>9,131</u>	<u>887</u>
Human Resources:				
Personal Services	1,870	1,854	1,741	113
Contractual Services	971	962	894	68
Commodities	260	258	159	99
Other	(25)	7	7	0
Interactivity Transfers	(6)	(6)		(6)
Total Human Resources	<u>3,070</u>	<u>3,075</u>	<u>2,801</u>	<u>274</u>
Operations:				
Personal Services	13,958	14,010	13,724	286
Contractual Services	16,779	16,946	14,243	2,703
Commodities	2,604	2,632	2,346	286
Other	(151)			
Interactivity Transfers	(17,453)	(17,998)	(14,991)	(3,007)
Total Operations	<u>15,737</u>	<u>15,590</u>	<u>15,322</u>	<u>268</u>
Equal Opportunity Office:				
Personal Services	611	604	517	87
Contractual Services	172	172	149	23
Commodities	11	11	10	1
Other	(7)			
Interactivity Transfers	5			
Total Equal Opportunity Office	<u>792</u>	<u>787</u>	<u>676</u>	<u>111</u>
Grants Office:				
Personal Services	151	149	113	36
Contractual Services	12	12	37	(25)
Commodities	3	3	5	(2)
Other	(2)			
Total Grants Office	<u>164</u>	<u>164</u>	<u>155</u>	<u>9</u>

(Continued)

	Original Budget	Final Budget	Actual	Actual vs. Final Budget Variance
Expenditures (Continued):				
Support Services (Continued):				
Community Relations:				
Personal Services	\$ 894	\$ 896	\$ 875	\$ 21
Contractual Services	710	692	497	195
Commodities	94	94	109	(15)
Other	(15)			
Interactivity Transfers	(311)	(311)	(109)	(202)
Total Community Relations	1,372	1,371	1,372	(1)
Total Support Services	43,187	43,286	41,692	1,594
Neighborhood Services:				
Community Services:				
Personal Services	598	625	645	(20)
Contractual Services	319	2,373	2,328	45
Commodities	282	287	396	(109)
Other	(15)	458	362	96
Interactivity Transfers	4,483	527	(329)	856
Total Community Services	5,667	4,270	3,402	868
City Court:				
Personal Services	6,665	6,658	6,522	136
Contractual Services	2,010	1,995	2,482	(487)
Commodities	294	290	209	81
Other	(89)			
Interactivity Transfers	100	100		100
Total City Court	8,980	9,043	9,213	(170)
Public Defender:				
Personal Services	1,919	1,913	1,904	9
Contractual Services	128	125	100	25
Commodities	47	43	46	(3)
Other	(21)			
Total Public Defender	2,073	2,081	2,050	31
Police:				
Personal Services	72,838	72,924	76,040	(3,116)
Contractual Services	9,018	9,030	8,016	1,014
Commodities	3,203	3,343	3,260	83
Other	7,397	7,397	4,720	2,677
Interactivity Transfers	1,147	1,037	(3)	1,040
Total Police	93,603	93,731	92,033	1,698
Fire:				
Personal Services	36,500	36,503	36,488	15
Contractual Services	3,644	3,599	2,475	1,124
Commodities	2,181	2,156	1,854	302
Interactivity Transfers	35	35		35
Total Fire	42,360	42,293	40,817	1,476
Parks and Recreation:				
Personal Services	20,919	20,932	20,806	126
Contractual Services	13,810	13,405	11,909	1,496
Commodities	3,120	3,122	3,023	99
Other	(356)			
Interactivity Transfers	(199)	(199)	(145)	(54)
Total Parks and Recreation	37,294	37,260	35,593	1,667
Citizen and Neighborhood Services:				
Personal Services	626	626	548	78
Contractual Services	108	108	97	11
Commodities	152	143	149	(6)
Other	(9)			
Total Citizen and Neighborhood Services	877	877	794	83

CITY OF TUCSON, ARIZONA

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Original Budget, Final Budget, and Actual - General Fund

Year Ended June 30, 2002

(in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual vs. Final Budget Variance</u>
Expenditures (Continued):				
Neighborhood Services (Continued):				
Independent Police Auditor:				
Personal Services	\$ 135	\$ 135	\$ 136	\$ (1)
Contractual Services	5	5	4	1
Commodities	4	3	3	0
Other	(1)			
Total Independent Police Auditor	<u>143</u>	<u>143</u>	<u>143</u>	<u>0</u>
Total Neighborhood Services	<u>190,997</u>	<u>189,698</u>	<u>184,045</u>	<u>5,653</u>
Environment and Development:				
Planning:				
Personal Services	2,978	2,911	2,847	64
Contractual Services	378	344	222	122
Commodities	110	110	87	23
Other	(34)			
Total Planning	<u>3,432</u>	<u>3,365</u>	<u>3,156</u>	<u>209</u>
Development Services:				
Personal Services	5,829	5,845	5,558	287
Contractual Services	1,054	1,001	735	266
Commodities	242	269	229	40
Interactivity Transfers	(65)	(65)	(178)	113
Total Development Services	<u>7,060</u>	<u>7,050</u>	<u>6,344</u>	<u>706</u>
Transportation:				
Personal Services	3,735	3,032	3,034	(2)
Contractual Services	2,963	2,558	2,076	482
Commodities	251	237	194	43
Other	(71)	(4)		(4)
Interactivity Transfers	(1,469)	(679)	(826)	147
Total Transportation	<u>5,409</u>	<u>5,144</u>	<u>4,478</u>	<u>666</u>
Environmental Management:				
Personal Services	886	905	883	22
Contractual Services	1,422	1,472	1,247	225
Commodities	29	31	41	(10)
Other	(19)			
Interactivity Transfers	(32)	(203)	(199)	(4)
Total Environmental Management	<u>2,286</u>	<u>2,205</u>	<u>1,972</u>	<u>233</u>
Historic Preservation:				
Personal Services	122	122	121	1
Contractual Services	32	30	17	13
Commodities	4	4	2	2
Other	(2)			
Total Historic Preservation	<u>156</u>	<u>156</u>	<u>140</u>	<u>16</u>
Zoning Examiner:				
Personal Services	144	144	144	0
Contractual Services	5	5	3	2
Commodities	2	2	2	0
Other	(1)			
Total Zoning Examiner	<u>150</u>	<u>151</u>	<u>149</u>	<u>2</u>
Total Environment and Development	<u>18,493</u>	<u>18,071</u>	<u>16,239</u>	<u>1,832</u>
Strategic Initiatives:				
Economic Development:				
Personal Services	871	863	768	95
Contractual Services	771	766	651	115
Commodities	39	39	59	(20)
Other	(16)			
Total Economic Development	<u>1,665</u>	<u>1,668</u>	<u>1,478</u>	<u>190</u>

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual vs. Final Budget Variance</u>
Expenditures (Continued):				
Strategic Initiatives (Continues):				
Intergovernmental Relations:				
Personal Services	\$ 144	\$ 144	\$ 155	\$ (11)
Contractual Services	398	393	366	27
Commodities	2	2	3	(1)
Other	(5)			
Total Intergovernmental Relations	<u>539</u>	<u>539</u>	<u>524</u>	<u>15</u>
Tucson-Mexico Project:				
Personal Services	317	317	358	(41)
Contractual Services	131	127	119	8
Commodities	5	5	7	(2)
Other	(4)			
Total Tucson-Mexico Project	<u>449</u>	<u>449</u>	<u>484</u>	<u>(35)</u>
Total Strategic Initiatives	<u>2,653</u>	<u>2,656</u>	<u>2,486</u>	<u>170</u>
Non-Departmental	<u>13,770</u>	<u>12,512</u>	<u>5,915</u>	<u>6,597</u>
Debt Service:				
Principal	5,890	3,030	3,605	(575)
Interest	3,695	3,250	3,109	141
Fiscal Agent Fees and Other	39	39	19	20
Total Debt Service	<u>9,624</u>	<u>6,319</u>	<u>6,733</u>	<u>(414)</u>
Lease Purchases-Capital			<u>777</u>	<u>(777)</u>
Capital Outlay	<u>5,317</u>	<u>4,166</u>	<u>1,894</u>	<u>2,272</u>
Capital Projects	<u>51,921</u>	<u>51,686</u>	<u>15,346</u>	<u>36,340</u>
Total Expenditures	<u>352,658</u>	<u>345,110</u>	<u>291,194</u>	<u>53,916</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,942)</u>	<u>53,268</u>	<u>50,116</u>	<u>(3,152)</u>
Other Financial Sources (Uses):				
Proceeds From Sale of Real Property	400	400	34,340	33,940
Extinguishment of Debt			(32,940)	(32,940)
Lease Purchases and Contract Proceeds	12,542	12,542	781	(11,761)
Transfers from Other Funds			309	309
Transfers to Other Funds		(62,126)	(64,540)	(2,414)
Total Other Financial Sources (Uses)	<u>12,942</u>	<u>(49,184)</u>	<u>(62,050)</u>	<u>(12,866)</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 4,084</u>	<u>\$ (11,934)</u>	<u>\$ (16,018)</u>
Fund Balance - July 1			<u>86,459</u>	
Fund Balance - June 30			<u>\$ 74,525</u>	

CITY OF TUCSON, ARIZONA

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Original Budget, Final Budget, and Actual - Mass Transit

Year Ended June 30, 2002

(in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual vs. Final Budget Variance</u>
Revenues:				
Taxes:				
Business Privilege Taxes	\$ 25,871	\$	\$	\$
Grants and Contributions				
on Federal Programs	24,824	25,238	15,125	(10,113)
Other Agencies:				
State Transportation Assistance	3,889	3,889	3,687	(202)
County/Other Local Operating Assistance	2,579	2,579	2,628	49
Total Other Agencies	6,468	6,468	6,315	(153)
Charges for Current Services:				
Bus Fare Revenues	7,505	7,505	7,107	(398)
Advertising	70	70	54	(16)
Total Charges for Current Services	7,575	7,575	7,161	(414)
Miscellaneous Revenue	2,607	2,607	301	(2,306)
Total Revenues	67,345	41,888	28,902	(12,986)
Expenditures:				
Current:				
Environment and Development:				
Transportation:				
Personal Services	27,010	27,058	26,404	654
Contractual Services	5,504	5,907	5,828	79
Commodities	7,191	6,802	6,328	474
Interactivity Transfers	(59)	(73)		(73)
Capital Outlay	27	21	15,923	(15,902)
Capital Projects	27,672	27,300	2,533	24,767
Total Expenditures	67,345	67,015	57,016	9,999
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(25,127)	(28,114)	(2,987)
Other Financial Sources (Uses):				
Transfers from Other Funds		25,803	24,978	(825)
Net Change in Fund Balance	\$ 0	\$ 676	(3,136)	\$ (3,812)
Fund Balance - July 1			467	
Fund Balance Deficit - June 30			<u><u>\$ (2,669)</u></u>	

CITY OF TUCSON, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2002

(dollar amounts expressed in thousands)

NOTE 1 - BUDGET INFORMATION:

The City prepares legally adopted annual operating budgets for the General Fund, Special Revenue Funds, most Capital Project and Debt Service Funds, and Enterprise Funds. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the Water Utility and Golf Course Enterprise Funds, for which amortization and depreciation are not budgeted. Additionally, City privilege taxes levied on City services such as water sales are budgeted as revenues and expenditures. For GAAP reporting, these taxes are treated as liabilities and therefore not shown as revenues and expenditures. Under both reporting perspectives, the impact on Fund Balance/Net Assets is the same. No formal budgets were adopted for the Fiduciary Funds; the Civic Contributions Special Revenue Fund; Civic Endowment Permanent Fund; the Special Assessment Debt Service Fund; the Special Assessment Capital Projects Construction Fund; and the Internal Service Funds.

NOTE 2 - PENSION DISCLOSURES:

The Tucson Supplemental Retirement System issues a publicly-available financial report that includes financial statements and required supplementary information. The financial statements may be obtained from their administrative office located at 255 W. Alameda, Tucson, Arizona 85701. The annual pension cost, net pension obligation for the current year, and other related information follows:

	Actuarial Information		
	TSRS	APSPRS	
		Police	Fire
Actuarial Valuation Date	June 30, 2002	June 30, 2002	June 30, 2002
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age
Amortization Method	Level Percent of Payroll, Closed	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining Amortization Period	Open 20 Years from June 30, 2002	Open 20 years from June 30, 2002	Open 20 years from June 30, 2002
Asset Valuation Method	4-Year Smoothed Market	4-Year Smoothed Market	4-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	8.0%	9.0%	9.0%
Projected Salary Increases*	5.0% - 8.8%	6.5%-9.5%	6.5%-9.5%
Inflation	5.0%	5.5%	5.5%
Cost-of-Living Adjustment	As approved by	None	None

*Projected salary increases include inflation.

Three Year Trend Information				
	Fiscal Year Ended 6/30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>TSRS</u>	2002	\$ 10,577	100 %	\$ 0
	2001	10,123	100	0
	2000	9,707	100	0
Police	2002	2,417	100	0
	2001	1,669	100	0
	2000	2,498	100	0
Fire	2002	1,246	100	0
	2001	282	100	0
	2000	1,303	100	0

CITY OF TUCSON, ARIZONA)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2002
(dollar amounts expressed in thousands)

(Continued)

NOTE 2 - PENSION DISCLOSURES (Continued):

Schedule of Funding Progress (Unaudited)						
Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Overfunded) AAL (b) - (a)	Funded Ratio (a) / (b)	Active Member Covered Payroll (c)	Unfunded(Overfunded) AAL as a Percentage of Active Annual Member Covered Payroll (b-a) / (c)
TSRS						
2002	\$ 463,102	\$ 553,947	\$ 90,845	83.6 %	\$ 153,580	59.2 %
2001	470,672	495,359	24,687	95.0	145,059	17.0
2000	453,954	437,750		103.7	134,088	(12.1)
Police						
2002	330,170	289,568	(40,602)	114.0	51,204	(79.3)
2001	332,477	260,790	(71,687)	127.5	49,843	(143.8)
2000	308,451	235,544	(72,907)	131.0	41,527	(175.6)
Fire						
2002	235,242	209,178	(26,064)	112.5	25,778	(101.1)
2001	239,395	191,973	(47,422)	124.7	29,182	(163.0)
2000	223,465	171,815	(51,650)	130.1	24,975	(206.8)



Combining Statements and Individual Fund Statements and Schedules

CITY OF TUCSON, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002
(in thousands)

	Special Revenue Funds		
	Solid Waste Management Fund	Library Fund	Public Safety Academy Fund
<u>Assets</u>			
Pooled Cash and Investments	\$ 4,915	\$ 3	\$ 96
Cash/Investments with Fiscal Agents	623		114
Prepaid Expenditures			
Accounts Receivable (Net)	865		
Interest Receivable	1		
Grants and Entitlements Receivable			
Special Assessment Receivables			
Notes and Other Receivables			
Interfund Receivables	92	183	
Due from Other Agencies		2,300	
Other Assets			
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 6,496</u>	<u>\$ 2,486</u>	<u>\$ 210</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 1,419	\$ 155	\$ 35
Accrued Payroll Liabilities	480	565	78
Interfund Payables		1,618	
Due to Other Agencies			
Bonds and Interest Payable, Including Special Assessments			
Refundable Deposits and Unredeemed Warrants	19		
Deferred Revenue			
Total Liabilities	<u>1,918</u>	<u>2,338</u>	<u>113</u>
Fund Balances:			
Reserved for:			
Debt Service	624		628
Encumbrances	3,954	22	7
Capital			114
Advances and Deposits		3	
Other Purposes		123	222
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds			(874)
Capital Project Funds			
Total Fund Balances (Deficit)	<u>4,578</u>	<u>148</u>	<u>97</u>
Total Liabilities and Fund Balances	<u>\$ 6,496</u>	<u>\$ 2,486</u>	<u>\$ 210</u>

CITY OF TUCSON, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002
(in thousands)

	Special Revenue Funds (Continued)		
	Convention Center Fund	H.U.R.F Fund	Civic Contribution Fund
<u>Assets</u>			
Pooled Cash and Investments	\$ 2,372	\$ 26,977	\$ 1,661
Cash/Investments with Fiscal Agents		7	
Prepaid Expenditures			
Accounts Receivable (Net)	16	102	
Interest Receivable		261	11
Grants and Entitlements Receivable			
Special Assessment Receivables			
Notes and Other Receivables			
Interfund Receivables	13		
Due from Other Agencies		6,218	
Other Assets		1	
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 2,401</u>	<u>\$ 33,566</u>	<u>\$ 1,672</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 83	\$ 1,280	\$ 25
Accrued Payroll Liabilities	80	724	
Interfund Payables		102	35
Due to Other Agencies	2		
Bonds and Interest Payable, Including Special Assessments			
Refundable Deposits and Unredeemed Warrants	1,028		
Deferred Revenue		11	
Total Liabilities	<u>1,193</u>	<u>2,117</u>	<u>60</u>
Fund Balances:			
Reserved for:			
Debt Service			
Encumbrances	50	1,955	16
Capital	1,149		
Advances and Deposits	9		
Other Purposes			1,596
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds		29,494	
Capital Project Funds			
Total Fund Balances (Deficit)	<u>1,208</u>	<u>31,449</u>	<u>1,612</u>
Total Liabilities and Fund Balances	<u>\$ 2,401</u>	<u>\$ 33,566</u>	<u>\$ 1,672</u>

(Continued)

	Special Revenue Funds (Continued)		
	Human and Community Development Fund	Public Housing Fund	Miscellaneous Housing Grant Fund
<u>Assets</u>			
Pooled Cash and Investments	\$ 169	\$ 2,339	\$ 447
Cash/Investments with Fiscal Agents			
Prepaid Expenditures		1,800	10
Accounts Receivable (Net)	10	253	48
Interest Receivable		13	
Grants and Entitlements Receivable	656	54	4,844
Special Assessment Receivables			
Notes and Other Receivables	4,351		5,128
Interfund Receivables		36	31
Due from Other Agencies			
Other Assets			
Notes and Other Receivables-Partnerships		8,898	13,402
Total Assets	<u>\$ 5,186</u>	<u>\$ 13,393</u>	<u>\$ 23,910</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 310	\$ 96	\$ 386
Accrued Payroll Liabilities	50	161	60
Interfund Payables	286	1,483	4,479
Due to Other Agencies	788	543	
Bonds and Interest Payable, Including Special Assessments			
Refundable Deposits and Unredeemed Warrants	15	660	11
Deferred Revenue	61	8,219	9,044
Total Liabilities	<u>1,510</u>	<u>11,162</u>	<u>13,980</u>
Fund Balances:			
Reserved for:			
Debt Service			
Encumbrances			
Capital			
Advances and Deposits			
Other Purposes	3,676	2,299	447
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds		(68)	9,483
Capital Project Funds			
Total Fund Balances (Deficit)	<u>3,676</u>	<u>2,231</u>	<u>9,930</u>
Total Liabilities and Fund Balances	<u>\$ 5,186</u>	<u>\$ 13,393</u>	<u>\$ 23,910</u>

CITY OF TUCSON, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002
(in thousands)

	Special Revenue Funds (Continued)	
	Other Federal Grants Fund	Non-Federal Grants Fund
<u>Assets</u>		
Pooled Cash and Investments	\$	\$ 58
Cash/Investments with Fiscal Agents	38	
Prepaid Expenditures	9	
Accounts Receivable (Net)		
Interest Receivable		
Grants and Entitlements Receivable	11,235	268
Special Assessment Receivables		
Notes and Other Receivables		
Interfund Receivables	13	22
Due from Other Agencies		
Other Assets		
Notes and Other Receivables-Partnerships		
Total Assets	\$ <u>11,295</u>	\$ <u>348</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	\$ 671	\$ 46
Accrued Payroll Liabilities	272	28
Interfund Payables	5,675	
Due to Other Agencies	105	
Bonds and Interest Payable, Including Special Assessments		
Refundable Deposits and Unredeemed Warrants	1	
Deferred Revenue		
Total Liabilities	<u>6,724</u>	<u>74</u>
Fund Balances:		
Reserved for:		
Debt Service		
Encumbrances		
Capital	4,416	
Advances and Deposits		
Other Purposes	38	
Unreserved, Undesignated, Reported in Nonmajor:		
Special Revenue Funds	117	274
Capital Project Funds		
Total Fund Balances (Deficit)	<u>4,571</u>	<u>274</u>
Total Liabilities and Fund Balances	\$ <u>11,295</u>	\$ <u>348</u>

(Continued)

	Special Revenue Funds (Continued)	Permanent Fund
	Total Special Revenue Funds	Civic Endowment Fund
Assets		
Pooled Cash and Investments	\$ 39,037	\$ 159
Cash/Investments with Fiscal Agents	782	
Prepaid Expenditures	1,819	
Accounts Receivable (Net)	1,294	
Interest Receivable	286	1
Grants and Entitlements Receivable	17,057	
Special Assessment Receivables		
Notes and Other Receivables	9,479	
Interfund Receivables	390	
Due from Other Agencies	8,518	
Other Assets	1	
Notes and Other Receivables-Partnerships	22,300	
Total Assets	\$ <u>100,963</u>	\$ <u>160</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 4,506	\$
Accrued Payroll Liabilities	2,498	
Interfund Payables	13,678	
Due to Other Agencies	1,438	
Bonds and Interest Payable, Including Special Assessments		
Refundable Deposits and Unredeemed Warrants	1,734	
Deferred Revenue	17,335	
Total Liabilities	<u>41,189</u>	
Fund Balances:		
Reserved for:		
Debt Service	1,252	
Encumbrances	6,004	
Capital	5,679	
Advances and Deposits	12	
Other Purposes	8,401	160
Unreserved, Undesignated, Reported in Nonmajor:		
Special Revenue Funds	38,426	
Capital Project Funds		
Total Fund Balances (Deficit)	<u>59,774</u>	<u>160</u>
Total Liabilities and Fund Balances	\$ <u>100,963</u>	\$ <u>160</u>

CITY OF TUCSON, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002
(in thousands)

	Debt Service Funds		
	General Obligation Bond and Interest Fund	Street and Highway Bond and Interest Fund	Special Assessment Bond and Interest Fund
<u>Assets</u>			
Pooled Cash and Investments	\$ 1,479	\$	\$ 1,288
Cash/Investments with Fiscal Agents	13,531	11,108	92
Prepaid Expenditures			
Accounts Receivable (Net)			
Interest Receivable	25		10
Grants and Entitlements Receivable			
Special Assessment Receivables			5,632
Notes and Other Receivables			
Interfund Receivables			
Due from Other Agencies			
Other Assets			
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 15,035</u>	<u>\$ 11,108</u>	<u>\$ 7,022</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 1	\$	\$ 160
Accrued Payroll Liabilities			
Interfund Payables			
Due to Other Agencies			
Bonds and Interest Payable, Including Special Assessments	13,531	11,108	92
Refundable Deposits and Unredeemed Warrants			39
Deferred Revenue			5,651
Total Liabilities	<u>13,532</u>	<u>11,108</u>	<u>5,942</u>
Fund Balances:			
Reserved for:			
Debt Service	1,503		1,080
Encumbrances			
Capital			
Advances and Deposits			
Other Purposes			
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds			
Capital Project Funds			
Total Fund Balances (Deficit)	<u>1,503</u>	<u></u>	<u>1,080</u>
Total Liabilities and Fund Balances	<u>\$ 15,035</u>	<u>\$ 11,108</u>	<u>\$ 7,022</u>

(Continued)

	Debt Service Funds (Continued)	Capital Projects Funds	
	Total Debt Service Funds	1994 Street and Highway Improvement	2000 Street and Highway Improvement
Assets			
Pooled Cash and Investments	\$ 2,767	\$ 5,509	\$ 3,210
Cash/Investments with Fiscal Agents	24,731		
Prepaid Expenditures			
Accounts Receivable (Net)			
Interest Receivable	35	74	40
Grants and Entitlements Receivable			
Special Assessment Receivables	5,632		
Notes and Other Receivables			
Interfund Receivables			
Due from Other Agencies			
Other Assets			
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 33,165</u>	<u>\$ 5,583</u>	<u>\$ 3,250</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 161	\$ 36	\$ 150
Accrued Payroll Liabilities			
Interfund Payables			
Due to Other Agencies			
Bonds and Interest Payable, Including Special Assessments	24,731		
Refundable Deposits and Unredeemed Warrants	39		
Deferred Revenue	5,651		
Total Liabilities	<u>30,582</u>	<u>36</u>	<u>150</u>
Fund Balances:			
Reserved for:			
Debt Service	2,583		
Encumbrances		3,453	2,978
Capital		2,094	122
Advances and Deposits			
Other Purposes			
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds			
Capital Project Funds			
Total Fund Balances (Deficit)	<u>2,583</u>	<u>5,547</u>	<u>3,100</u>
Total Liabilities and Fund Balances	<u>\$ 33,165</u>	<u>\$ 5,583</u>	<u>\$ 3,250</u>

CITY OF TUCSON, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002
(in thousands)

	Capital Projects Funds (Continued)		
	1984 General Obligation	1994 General Obligation	2000 General Obligation
<u>Assets</u>			
Pooled Cash and Investments	\$ 884	\$ 8,868	\$ 28,630
Cash/Investments with Fiscal Agents			
Prepaid Expenditures			
Accounts Receivable (Net)			5
Interest Receivable	12	86	309
Grants and Entitlements Receivable			
Special Assessment Receivables			
Notes and Other Receivables			
Interfund Receivables		6	
Due from Other Agencies			
Other Assets			
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 896</u>	<u>\$ 8,960</u>	<u>\$ 28,944</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 195	\$ 308	\$ 732
Accrued Payroll Liabilities			
Interfund Payables	146		
Due to Other Agencies			
Bonds and Interest Payable, Including Special Assessments			
Refundable Deposits and Unredeemed Warrants			
Deferred Revenue			
Total Liabilities	<u>341</u>	<u>308</u>	<u>732</u>
Fund Balances:			
Reserved for:			
Debt Service			
Encumbrances	265	1,575	10,319
Capital	290	7,077	17,893
Advances and Deposits			
Other Purposes			
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds			
Capital Project Funds			
Total Fund Balances (Deficit)	<u>555</u>	<u>8,652</u>	<u>28,212</u>
Total Liabilities and Fund Balances	<u>\$ 896</u>	<u>\$ 8,960</u>	<u>\$ 28,944</u>

(Continued)

	Capital Projects Funds (Continued)		Total Nonmajor Governmental Funds
	Special Assessment Construction	Total Capital Project Funds	
Assets			
Pooled Cash and Investments	\$	\$ 47,101	\$ 89,064
Cash/Investments with Fiscal Agents			25,513
Prepaid Expenditures			1,819
Accounts Receivable (Net)	127	132	1,426
Interest Receivable		521	843
Grants and Entitlements Receivable			17,057
Special Assessment Receivables			5,632
Notes and Other Receivables			9,479
Interfund Receivables		6	396
Due from Other Agencies			8,518
Other Assets			1
Notes and Other Receivables-Partnerships			22,300
Total Assets	\$ <u>127</u>	\$ <u>47,760</u>	\$ <u>182,048</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 119	\$ 1,540	\$ 6,207
Accrued Payroll Liabilities			2,498
Interfund Payables	6,705	6,851	20,529
Due to Other Agencies			1,438
Bonds and Interest Payable, Including Special Assessments			24,731
Refundable Deposits and Unredeemed Warrants			1,773
Deferred Revenue			22,986
Total Liabilities	<u>6,824</u>	<u>8,391</u>	<u>80,162</u>
Fund Balances:			
Reserved for:			
Debt Service			3,835
Encumbrances	409	18,999	25,003
Capital		27,476	33,155
Advances and Deposits			12
Other Purposes			8,561
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds			38,426
Capital Project Funds	(7,106)	(7,106)	(7,106)
Total Fund Balances (Deficit)	<u>(6,697)</u>	<u>39,369</u>	<u>101,886</u>
Total Liabilities and Fund Balances	\$ <u>127</u>	\$ <u>47,760</u>	\$ <u>182,048</u>

CITY OF TUCSON, ARIZONA
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2002
(in thousands)

	Special Revenue Funds		
	Solid Waste Management Fund	Library Fund	Public Safety Academy Fund
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits	11		
Fines, Forfeitures and Penalties		548	
Use of Money and Property	15		8
Grants and Contributions on Federal Programs			
Other Agencies	28	10,094	950
Charges for Current Services	9,658		204
Special Assessments			
Miscellaneous Revenue	75	2	
Total Revenues	<u>9,787</u>	<u>10,644</u>	<u>1,162</u>
Expenditures:			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services			
City Court			
Police			1,951
Fire			1,189
Library		19,295	
Parks and Recreation			
Total Neighborhood Services		<u>19,295</u>	<u>3,140</u>
Environment and Development:			
Solid Waste Management	26,063		
Transportation			
City Manager Environment and Development			
Total Environment and Development	<u>26,063</u>		
Strategic Initiatives:			
Convention Center			
City Manager Strategic Initiatives			
Total Strategic Initiatives			
Non-Departmental			
Debt Service	<u>1,500</u>		<u>253</u>
Capital Outlay			<u>23</u>
Capital Projects	<u>35</u>		<u>300</u>
Total Expenditures	<u>27,598</u>	<u>19,295</u>	<u>3,716</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,811)</u>	<u>(8,651)</u>	<u>(2,554)</u>
Other Financial Sources (Uses):			
Proceeds from Bond Sales			
Transfers from Other Funds	21,349	8,694	2,978
Transfers to Other Funds	(695)		
Payment to Refunded Bond Escrow Agent			
Total Other Financial Sources (Uses)	<u>20,654</u>	<u>8,694</u>	<u>2,978</u>
Contributions to Permanent or Term Endowments			
Net Change in Fund Balance (Deficit)	<u>2,843</u>	<u>43</u>	<u>424</u>
Fund Balance (Deficit) - July 1	<u>1,735</u>	<u>105</u>	<u>(327)</u>
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	<u>1,735</u>	<u>105</u>	<u>(327)</u>
Fund Balance (Deficit) - June 30	<u>\$ 4,578</u>	<u>\$ 148</u>	<u>\$ 97</u>

(Continued)

	Special Revenue Funds (Continued)		
	Convention Center Fund	H.U.R.F Fund	Civic Contribution Fund
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits		2,221	
Fines, Forfeitures and Penalties			
Use of Money and Property		1,421	56
Grants and Contributions on Federal Programs			
Other Agencies		37,231	
Charges for Current Services	2,783		
Special Assessments			
Miscellaneous Revenue	64	367	485
Total Revenues	<u>2,847</u>	<u>41,240</u>	<u>541</u>
Expenditures:			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services			5
City Court			
Police			14
Fire			2
Library			161
Parks and Recreation			43
Total Neighborhood Services			<u>225</u>
Environment and Development:			
Solid Waste Management			
Transportation		26,615	
City Manager Environment and Development			
Total Environment and Development		<u>26,615</u>	
Strategic Initiatives:			
Convention Center	9,238		3
City Manager Strategic Initiatives			
Total Strategic Initiatives	<u>9,238</u>		<u>3</u>
Non-Departmental		350	234
Debt Service		1,921	
Capital Outlay	40	104	10
Capital Projects		7,219	
Total Expenditures	<u>9,278</u>	<u>36,209</u>	<u>472</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,431)</u>	<u>5,031</u>	<u>69</u>
Other Financial Sources (Uses):			
Proceeds from Bond Sales			
Transfers from Other Funds	6,513	978	
Transfers to Other Funds		(9,945)	
Payment to Refunded Bond Escrow Agent			
Total Other Financial Sources (Uses)	<u>6,513</u>	<u>(8,967)</u>	
Contributions to Permanent or Term Endowments			
Net Change in Fund Balance	82	(3,936)	69
Fund Balance (Deficit) - July 1	1,126	35,385	1,543
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	1,126	35,385	1,543
Fund Balance (Deficit) - June 30	<u>\$ 1,208</u>	<u>\$ 31,449</u>	<u>\$ 1,612</u>

CITY OF TUCSON, ARIZONA
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2002
(in thousands)

	Special Revenue Funds (Continued)		
	Human and Community Development Fund	Public Housing Fund	Miscellaneous Housing Grant Funds
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines, Forfeitures and Penalties			
Use of Money and Property	27	66	
Grants and Contributions on Federal Programs	7,677	25,996	13,206
Other Agencies			
Charges for Current Services		1,418	
Special Assessments			
Miscellaneous Revenue	95	111	
Total Revenues	<u>7,799</u>	<u>27,591</u>	<u>13,206</u>
Expenditures:			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services	6,211	27,093	8,608
City Court			
Police			
Fire			
Library			
Parks and Recreation			
Total Neighborhood Services	<u>6,211</u>	<u>27,093</u>	<u>8,608</u>
Environment and Development:			
Solid Waste Management			
Transportation			
City Manager Environment and Development			
Total Environment and Development			
Strategic Initiatives:			
Convention Center			
City Manager Strategic Initiatives			
Total Strategic Initiatives			
Non-Departmental	31		
Debt Service	46	141	10
Capital Outlay	47	89	294
Capital Projects	1,293		1,797
Total Expenditures	<u>7,628</u>	<u>27,323</u>	<u>10,709</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>171</u>	<u>268</u>	<u>2,497</u>
Other Financial Sources (Uses):			
Proceeds from Bond Sales			
Transfers from Other Funds			
Transfers to Other Funds			
Payment to Refunded Bond Escrow Agent			
Total Other Financial Sources (Uses)			
Contributions to Permanent or Term Endowments			
Net Change in Fund Balance	171	268	2,497
Fund Balance (Deficit) - July 1	3,505	1,963	7,433
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	3,505	1,963	7,433
Fund Balance (Deficit) - June 30	<u>\$ 3,676</u>	<u>\$ 2,231</u>	<u>\$ 9,930</u>

(Continued)

	Special Revenue Funds (Continued)		
	Other Federal Grants Fund	Non-Federal Grants Fund	Total Special Revenue Funds
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			2,232
Fines, Forfeitures and Penalties	76		624
Use of Money and Property			1,593
Grants and Contributions on Federal Programs	16,146		63,025
Other Agencies		1,672	49,975
Charges for Current Services			14,063
Special Assessments			
Miscellaneous Revenue			1,199
Total Revenues	<u>16,222</u>	<u>1,672</u>	<u>132,711</u>
Expenditures:			
Current:			
Elected and Official	<u>268</u>	<u>80</u>	<u>348</u>
Support Services:			
Operations	<u>100</u>	<u>(210)</u>	<u>(110)</u>
Neighborhood Services:			
Community Services	882	51	42,850
City Court		136	136
Police	5,826	708	8,499
Fire	148		1,339
Library	95	170	19,721
Parks and Recreation	365	40	448
Total Neighborhood Services	<u>7,316</u>	<u>1,105</u>	<u>72,993</u>
Environment and Development:			
Solid Waste Management	0	18	26,081
Transportation	523	3	27,141
City Manager Environment and Development	51	57	108
Total Environment and Development	<u>574</u>	<u>78</u>	<u>53,330</u>
Strategic Initiatives:			
Convention Center			9,241
City Manager Strategic Initiatives	<u>179</u>	<u>21</u>	<u>200</u>
Total Strategic Initiatives	<u>179</u>	<u>21</u>	<u>9,441</u>
Non-Departmental	<u>7</u>	<u>103</u>	<u>725</u>
Debt Service			<u>3,871</u>
Capital Outlay	<u>616</u>	<u>313</u>	<u>1,536</u>
Capital Projects	<u>7,133</u>	<u>188</u>	<u>17,965</u>
Total Expenditures	<u>16,193</u>	<u>1,678</u>	<u>160,099</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>29</u>	<u>(6)</u>	<u>(27,388)</u>
Other Financial Sources (Uses):			
Proceeds from Bond Sales	4,500		4,500
Transfers from Other Funds			40,512
Transfers to Other Funds			(10,640)
Payment to Refunded Bond Escrow Agent			
Total Other Financial Sources (Uses)	<u>4,500</u>	<u></u>	<u>34,372</u>
Contributions to Permanent or Term Endowments			
Net Change in Fund Balance	<u>4,529</u>	<u>(6)</u>	<u>6,984</u>
Fund Balance (Deficit) - July 1	45	280	52,793
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	<u>45</u>	<u>280</u>	<u>52,793</u>
Fund Balance (Deficit) - June 30	<u>\$ 4,574</u>	<u>\$ 274</u>	<u>\$ 59,777</u>

CITY OF TUCSON, ARIZONA
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2002
(in thousands)

	Permanent Fund	Debt Service Funds	
	Civic Endowment Fund	General Obligation Bond and Interest Fund	Street and Highway Bond and Interest Fund
Revenues:			
Taxes	\$	\$ 20,954	\$
Licenses and Permits			
Fines, Forfeitures and Penalties			
Use of Money and Property	6	167	
Grants and Contributions on Federal Programs			
Other Agencies			5,616
Charges for Current Services			
Special Assessments			
Miscellaneous Revenue			
Total Revenues	6	21,121	5,616
Expenditures:			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services			
City Court			
Police			
Fire			
Library	7		
Parks and Recreation			
Total Neighborhood Services	7		
Environment and Development:			
Solid Waste Management			
Transportation			
City Manager Environment and Development			
Total Environment and Development			
Strategic Initiatives:			
Convention Center			
City Manager Strategic Initiatives			
Total Strategic Initiatives			
Non-Departmental			
Debt Service		22,094	15,548
Capital Outlay			
Capital Projects			
Total Expenditures	7	22,094	15,548
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	(973)	(9,932)
Other Financial Sources (Uses):			
Proceeds from Bond Sales		26,431	
Transfers from Other Funds		158	10,089
Transfers to Other Funds		(167)	(157)
Payment to Refunded Bond Escrow Agent		(25,155)	
Total Other Financial Sources (Uses)		1,267	9,932
Contributions to Permanent or Term Endowments	5		
Net Change in Fund Balance	4	294	0
Fund Balance (Deficit) - July 1	156	1,209	
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	156	1,209	
Fund Balance (Deficit) - June 30	\$ 160	\$ 1,503	\$ 0

(Continued)

	Debt Service Funds (Continued)	
	Special Assessment Bond and Interest Fund	Total Debt Service Funds
Revenues:		
Taxes	\$	\$ 20,954
Licenses and Permits		
Fines, Forfeitures and Penalties	12	12
Use of Money and Property	48	215
Grants and Contributions on Federal Programs		
Other Agencies		5,616
Charges for Current Services		
Special Assessments	500	500
Miscellaneous Revenue		
Total Revenues	<u>560</u>	<u>27,297</u>
Expenditures:		
Current:		
Elected and Official		
Support Services:		
Operations		
Neighborhood Services:		
Community Services		
City Court		
Police		
Fire		
Library		
Parks and Recreation		
Total Neighborhood Services		
Environment and Development:		
Solid Waste Management		
Transportation		
City Manager Environment and Development		
Total Environment and Development		
Strategic Initiatives:		
Convention Center		
City Manager Strategic Initiatives		
Total Strategic Initiatives		
Non-Departmental		
Debt Service	<u>805</u>	<u>38,447</u>
Capital Outlay		
Capital Projects		
Total Expenditures	<u>805</u>	<u>38,447</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(245)</u>	<u>(11,150)</u>
Other Financial Sources (Uses):		
Proceeds from Bond Sales		26,431
Transfers from Other Funds	159	10,406
Transfers to Other Funds		(324)
Payment to Refunded Bond Escrow Agent		(25,155)
Total Other Financial Sources (Uses)	<u>159</u>	<u>11,358</u>
Contributions to Permanent or Term Endowments		
Net Change in Fund Balance	<u>(86)</u>	<u>208</u>
Fund Balance (Deficit) - July 1	1,166	2,375
Prior Period Adjustment (Note 2)		
Fund Balance (Deficit) Restated - July 1	<u>1,166</u>	<u>2,375</u>
Fund Balance (Deficit) - June 30	<u>\$ 1,080</u>	<u>\$ 2,583</u>

CITY OF TUCSON, ARIZONA
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2002
(in thousands)

	Capital Project Funds		
	1994 Street and Highway Improvement Fund	2000 Street and Highway Improvement Fund	1984 General Obligation Fund
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines, Forfeitures and Penalties			
Use of Money and Property	337	178	57
Grants and Contributions on Federal Programs			
Other Agencies	2		
Charges for Current Services			
Special Assessments			
Miscellaneous Revenue	109		
Total Revenues	<u>448</u>	<u>178</u>	<u>57</u>
Expenditures:			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services			
City Court			
Police			
Fire			
Library			
Parks and Recreation			
Total Neighborhood Services			
Environment and Development:			
Solid Waste Management			
Transportation	2		
City Manager Environment and Development			
Total Environment and Development	<u>2</u>		
Strategic Initiatives:			
Convention Center			
City Manager Strategic Initiatives			
Total Strategic Initiatives			
Non-Departmental			
Debt Service	<u>97</u>	<u>14</u>	
Capital Outlay			
Capital Projects	<u>8,568</u>	<u>2,400</u>	<u>1,080</u>
Total Expenditures	<u>8,667</u>	<u>2,414</u>	<u>1,080</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,219)</u>	<u>(2,236)</u>	<u>(1,023)</u>
Other Financial Sources (Uses):			
Proceeds from Bond Sales	10,102	5,555	
Transfers from Other Funds			
Transfers to Other Funds	(764)	(214)	(11)
Payment to Refunded Bond Escrow Agent			
Total Other Financial Sources (Uses)	<u>9,338</u>	<u>5,341</u>	<u>(11)</u>
Contributions to Permanent or Term Endowments			
Net Change in Fund Balance	<u>1,119</u>	<u>3,105</u>	<u>(1,034)</u>
Fund Balance (Deficit) - July 1	4,428	(5)	1,589
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	<u>4,428</u>	<u>(5)</u>	<u>1,589</u>
Fund Balance (Deficit) - June 30	<u>\$ 5,547</u>	<u>\$ 3,100</u>	<u>\$ 555</u>

(Continued)

	Capital Project Funds (Continued)		
	1994 General Obligation Fund	2000 General Obligation Fund	Special Assessment Construction Fund
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines, Forfeitures and Penalties			
Use of Money and Property	421	1,435	
Grants and Contributions on Federal Programs			
Other Agencies		5	127
Charges for Current Services			
Special Assessments			1,131
Miscellaneous Revenue			
Total Revenues	<u>421</u>	<u>1,440</u>	<u>1,258</u>
Expenditures:			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services			
City Court			
Police			
Fire			
Library			
Parks and Recreation			
Total Neighborhood Services			
Environment and Development:			
Solid Waste Management	430	246	
Transportation			
City Manager Environment and Development			
Total Environment and Development	<u>430</u>	<u>246</u>	
Strategic Initiatives:			
Convention Center			
City Manager Strategic Initiatives			
Total Strategic Initiatives			
Non-Departmental	<u>807</u>	<u>97</u>	
Debt Service		<u>166</u>	
Capital Outlay			
Capital Projects	<u>1,957</u>	<u>15,122</u>	<u>2,569</u>
Total Expenditures	<u>3,194</u>	<u>15,631</u>	<u>2,569</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,773)</u>	<u>(14,191)</u>	<u>(1,311)</u>
Other Financial Sources (Uses):			
Proceeds from Bond Sales		26,838	
Transfers from Other Funds			
Transfers to Other Funds		(158)	(159)
Payment to Refunded Bond Escrow Agent			
Total Other Financial Sources (Uses)		<u>26,680</u>	<u>(159)</u>
Contributions to Permanent or Term Endowments			
Net Change in Fund Balance	<u>(2,773)</u>	<u>12,489</u>	<u>(1,470)</u>
Fund Balance (Deficit) - July 1	11,425	15,723	
Prior Period Adjustment (Note 2)			(5,227)
Fund Balance (Deficit) Restated - July 1	<u>11,425</u>	<u>15,723</u>	<u>(5,227)</u>
Fund Balance (Deficit) - June 30	<u>\$ 8,652</u>	<u>\$ 28,212</u>	<u>\$ (6,697)</u>

CITY OF TUCSON, ARIZONA
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2002
(in thousands)

(Continued)

	Capital Project Funds (Continued)	
	Total Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:		
Taxes	\$	\$ 20,954
Licenses and Permits		2,232
Fines, Forfeitures and Penalties		636
Use of Money and Property	2,428	4,242
Grants and Contributions on Federal Programs		63,025
Other Agencies	134	55,725
Charges for Current Services		14,063
Special Assessments	1,131	1,631
Miscellaneous Revenue	109	1,308
Total Revenues	<u>3,802</u>	<u>163,816</u>
Expenditures:		
Current:		
Elected and Official		348
Support Services:		
Operations		(110)
Neighborhood Services:		
Community Services		42,850
City Court		136
Police		8,499
Fire		1,339
Library		19,728
Parks and Recreation		448
Total Neighborhood Services		<u>73,000</u>
Environment and Development:		
Solid Waste Management	676	26,757
Transportation	2	27,143
City Manager Environment and Development		108
Total Environment and Development	<u>678</u>	<u>54,008</u>
Strategic Initiatives:		
Convention Center		9,241
City Manager Strategic Initiatives		200
Total Strategic Initiatives		<u>9,441</u>
Non-Departmental	904	1,629
Debt Service	277	42,595
Capital Outlay		1,536
Capital Projects	31,696	49,661
Total Expenditures	<u>33,555</u>	<u>232,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,753)</u>	<u>(68,292)</u>
Other Financial Sources (Uses):		
Proceeds from Bond Sales	42,495	73,426
Transfers from Other Funds		50,918
Transfers to Other Funds	(1,306)	(12,270)
Payment to Refunded Bond Escrow Agent		(25,155)
Total Other Financial Sources (Uses)	<u>41,189</u>	<u>86,919</u>
Contributions to Permanent or Term Endowments		5
Net Change in Fund Balance	<u>11,436</u>	<u>18,632</u>
Fund Balance (Deficit) - July 1	33,160	88,484
Prior Period Adjustment (Note 2)	(5,227)	(5,227)
Fund Balance (Deficit) Restated - July 1	<u>27,933</u>	<u>83,257</u>
Fund Balance (Deficit) - June 30	<u>\$ 39,369</u>	<u>\$ 101,889</u>

CITY OF TUCSON, ARIZONA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2002
(in thousands)

	Fleet Services Fund	Self Insurance Fund	Total
<u>Assets</u>			
Current Assets:			
Pooled Cash and Investments	\$ 2,728	\$ 15,154	\$ 17,882
Accounts Receivable	58	1	59
Interest Receivable	40	130	170
Advances Receivable		155	155
Due from Other Agencies	33		33
Total Current Assets	<u>2,859</u>	<u>15,440</u>	<u>18,299</u>
Restricted Assets:			
Other Restricted Assets	<u>128</u>	<u>13,354</u>	<u>13,482</u>
Noncurrent Assets:			
Property, Plant and Equipment:			
Land		30	30
Buildings	6	123	129
Improvements Other than Buildings	33		33
Machinery and Equipment	79,060	19	79,079
Less Accumulated Depreciation	(43,968)	(42)	(44,010)
Construction-in-Progress	129		129
Total Noncurrent Assets	<u>35,260</u>	<u>130</u>	<u>35,390</u>
Total Assets	<u>38,247</u>	<u>28,924</u>	<u>67,171</u>
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts Payable	481	454	935
Accrued Payroll Liabilities	199	29	228
Due to Other Agencies	11	14	25
Accrued Interest Payable	9		9
Refundable Deposits and Unredeemed Warrants		8	8
Current Portion of Contracts/Capital Leases Payable	1,733	1	1,734
Current Portion of Claims and Judgments Payable		7,035	7,035
Total Current Liabilities	<u>2,433</u>	<u>7,541</u>	<u>9,974</u>
Noncurrent Liabilities, Net of Portion Classified as Current Liabilities:			
Contracts/Capital Leases Payable	2,395		2,395
Claims and Judgements Payable		34,217	34,217
Total Noncurrent Liabilities	<u>2,395</u>	<u>34,217</u>	<u>36,612</u>
Total Liabilities	<u>4,828</u>	<u>41,758</u>	<u>46,586</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	31,132	129	31,261
Restricted for:			
Capital	128		128
Other Purposes		13,354	13,354
Unrestricted (Deficit)	2,159	(26,317)	(24,158)
Total Net Assets	<u>\$ 33,419</u>	<u>\$ (12,834)</u>	<u>\$ 20,585</u>

CITY OF TUCSON, ARIZONA
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2002
(in thousands)

	Fleet Services Fund	Self Insurance Fund	Total
Operating Revenues:			
Charges for Services	\$ 20,967	\$ 15,124	\$ 36,091
Miscellaneous	208	2	210
Total Operating Revenues	<u>21,175</u>	<u>15,126</u>	<u>36,301</u>
Operating Expenses:			
Personal Services	4,656	1,028	5,684
Contractual Services	2,850	3,209	6,059
Commodities	6,554	198	6,752
Benefits and Claims		20,057	20,057
Depreciation	9,187	4	9,191
Total Operating Expenses	<u>23,247</u>	<u>24,496</u>	<u>47,743</u>
Net Operating Income (Loss)	<u>(2,072)</u>	<u>(9,370)</u>	<u>(11,442)</u>
Nonoperating Income (Expenses):			
Investment Income	195	961	1,156
Interest Expense	(213)		(213)
Gain (Loss) on Sale of Property/Equipment	770	(4)	766
Other Nonoperating Income (Expenses)	481	(771)	(290)
Total Nonoperating Income (Expenses)	<u>1,233</u>	<u>186</u>	<u>1,419</u>
Net Income (Loss) Before Contributions and Transfers	<u>(839)</u>	<u>(9,184)</u>	<u>(10,023)</u>
Transfers In	<u>783</u>		<u>783</u>
Transfers Out		<u>(178)</u>	<u>(178)</u>
Change in Net Assets (Deficit)	<u>(56)</u>	<u>(9,362)</u>	<u>(9,418)</u>
Net Assets (Deficit) - July 1	<u>33,475</u>	<u>(3,472)</u>	<u>30,003</u>
Net Assets (Deficit) - June 30	<u>\$ 33,419</u>	<u>\$ (12,834)</u>	<u>\$ 20,585</u>

CITY OF TUCSON, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2002
(in thousands)

	Fleet Services Fund	Self Insurance Fund	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 20,952	\$ 15,145	\$ 36,097
Cash Payments to Suppliers for Goods and Services	(11,012)	(18,124)	(29,136)
Cash Payments to Employees for Services	(4,508)	(1,004)	(5,512)
Other Operating Revenues	208		208
Net Cash Provided (Used) by Operating Activities	<u>5,640</u>	<u>(3,983)</u>	<u>1,657</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(9,716)	(178)	(9,894)
Principal Paid on Capital Debt	(1,815)	(3)	(1,818)
Interest Paid on Capital Debt	(204)		(204)
Proceeds from Sale of Property/Equipment	738		738
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(10,997)</u>	<u>(181)</u>	<u>(11,178)</u>
Cash Flows from Investing Activities:			
Investment Income	231	1,024	1,255
Proceeds from Sale of Investments		10,275	10,275
Purchase of Investments		(13,655)	(13,655)
Net Cash Provided (Used) by Investing Activities	<u>231</u>	<u>(2,356)</u>	<u>(2,125)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(5,126)</u>	<u>(6,520)</u>	<u>(11,646)</u>
Cash and Cash Equivalents - July 1	<u>7,854</u>	<u>21,674</u>	<u>29,528</u>
Cash and Cash Equivalents - June 30	<u>\$ 2,728</u>	<u>\$ 15,154</u>	<u>\$ 17,882</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income(Loss)	\$ (2,072)	\$ (9,370)	\$ (11,442)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation/Goodwill Amortization	9,187	4	9,191
Other Adjustments		19	19
Decrease (Increase) in Assets:			
Accounts Receivable	6		6
Advances Receivable		(155)	(155)
Due from Other Agencies	(33)		(33)
Interfund Receivables	12		12
Prepaid Expenses	70	3	73
(Decrease) Increase in Liabilities:			
Accounts Payable	(1,688)	261	(1,427)
Accrued Payroll Liabilities	148	23	171
Customer/Refundable Deposits	10	(35)	(25)
Claims and Judgements Payable - Long-Term		(1,782)	(1,782)
Claims and Judgements Payable - Short-Term		7,035	7,035
Due to Other Agencies		14	14
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,640</u>	<u>\$ (3,983)</u>	<u>\$ 1,657</u>

Noncash Investing, Capital and Financing Activities:

In the Fleet Service Internal Service Fund, City funds contributed vehicles and equipment with a net book value of \$1,001, a prior period adjustment of \$96 was made for vehicles contributed but not previously recorded, and eighteen solid waste removal vehicles were purchased through a capital lease purchase agreement for \$2,960.

In the Self Insurance Internal Service Fund, a loss of \$4 from the disposal of a fixed asset and a prior period adjustment of (\$771) was made to transfer capital assets to other funds.

CITY OF TUCSON, ARIZONA
Combining Statement of Fiduciary Net Assets
Pension Funds
June 30, 2002
(in thousands)

	Deferred Compensation Fund	Supplemental Retirement Fund	Total Pension Funds
<u>Assets</u>			
Pooled Cash	\$ 61	\$ 3,801	\$ 3,862
Accounts Receivable:			
City Contributions		398	398
Employee Contributions	3	293	296
Interest and Dividends	726	1,126	1,852
Due from Brokers		39,783	39,783
Total Accounts Receivable	729	41,600	42,329
Investments, at Fair Value:			
Short-term Investments	2,660	20,720	23,380
Securities Lending Cash Collateral	5,777	16,676	22,453
U.S. Government Obligations	39,240	24,240	63,480
Corporate Bonds	15,580	20,315	35,895
Common Stocks		219,169	219,169
Preferred Stocks		320	320
International Bonds		6,233	6,233
International Equity Group Trust		58,957	58,957
Mortgage Bonds Mutual Fund		56,371	56,371
Real Estate		21,917	21,917
Total Investments	63,257	444,918	508,175
Due from Other Agencies	1		1
Fixed Assets - Net of Accumulated Depreciation		6	6
Total Assets	64,048	490,325	554,373
<u>Liabilities</u>			
Accounts Payable	111	522	633
Due to Other Funds			0
Due to Other Agencies		1	1
Due to Securities Borrowers	5,785	16,676	22,461
Due to Brokers		40,025	40,025
Accrued Payroll Liabilities		7	7
Total Liabilities	5,896	57,231	63,127
<u>Net Assets</u>			
Held in Trust for:			
Employees' Pension/Retirement Benefits	58,152	433,094	491,246
Total Net Assets	\$ 58,152	\$ 433,094	\$ 491,246

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
Combining Statement of Changes in Fiduciary Net Assets
Pension Funds
Year Ended June 30, 2002
(in thousands)

	<u>Deferred Compensation Fund</u>	<u>Supplemental Retirement Fund</u>	<u>Total Pension Funds</u>
Additions:			
Contributions:			
Employees	\$ 3,201	\$ 12,919	\$ 16,120
Employer		10,543	10,543
Other Plans		207	207
Total Contributions	<u>3,201</u>	<u>23,669</u>	<u>26,870</u>
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	1,494	(49,179)	(47,685)
Interest, Dividends and Other Income	3,638	9,220	12,858
Real Estate Income		2,103	2,103
Securities Lending Income	155	520	675
Total Investment Income	<u>5,287</u>	<u>(37,336)</u>	<u>(32,049)</u>
Less: Investment Activity Expense	<u>9</u>	<u>2,227</u>	<u>2,236</u>
Less: Securities Lending Expense	<u>134</u>	<u>427</u>	<u>561</u>
Net Investment Income	<u>5,144</u>	<u>(39,990)</u>	<u>(34,846)</u>
Total Additions	<u>8,345</u>	<u>(16,321)</u>	<u>(7,976)</u>
Deductions:			
Payments to Participants	2,239	20,009	22,248
Refunds and Transfers to Other Plans	3,824	906	4,730
Administrative Expense	103	342	445
Total Deductions	<u>6,166</u>	<u>21,257</u>	<u>27,423</u>
Change in Net Assets	<u>2,179</u>	<u>(37,578)</u>	<u>(35,399)</u>
Net Assets - July 1	<u>55,973</u>	<u>470,672</u>	<u>526,645</u>
Net Assets - June 30	<u>\$ 58,152</u>	<u>\$ 433,094</u>	<u>\$ 491,246</u>

See Accompanying Notes to Basic Financial Statements

CITY OF TUCSON, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2002
(in thousands)

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2002</u>
<u>Sewer User Fee Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ 806	\$ 73,094	\$ 73,104	\$ 796
Accounts Receivable	3,143	44,079	44,173	3,049
Interest Receivable	10	48	47	11
Total Assets	<u>\$ 3,959</u>	<u>\$ 117,221</u>	<u>\$ 117,324</u>	<u>\$ 3,856</u>
Liabilities:				
Due to Other Agencies	<u>\$ 3,959</u>	<u>\$ 121,414</u>	<u>\$ 121,517</u>	<u>\$ 3,856</u>
Total Liabilities	<u>\$ 3,959</u>	<u>\$ 121,414</u>	<u>\$ 121,517</u>	<u>\$ 3,856</u>
<u>Employee Prepaid Insurance Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ 2,513	\$ 60,138	\$ 62,651	\$ 0
Due From Other Agencies	41	354	42	353
Accounts Receivable	7	344	118	233
Total Assets	<u>\$ 2,561</u>	<u>\$ 60,836</u>	<u>\$ 62,811</u>	<u>\$ 586</u>
Liabilities:				
Accounts Payable	\$ 2,561	\$ 65,933	\$ 68,032	\$ 462
Due to Other Agencies		124		124
Total Liabilities	<u>\$ 2,561</u>	<u>\$ 66,057</u>	<u>\$ 68,032</u>	<u>\$ 586</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$ 3,319	\$ 133,232	\$ 135,755	\$ 796
Due from Other Agencies	41	354	42	353
Accounts Receivable	3,150	44,423	44,291	3,282
Interest Receivable	10	48	47	11
Total Assets	<u>\$ 6,520</u>	<u>\$ 178,057</u>	<u>\$ 180,135</u>	<u>\$ 4,442</u>
Liabilities:				
Accounts Payable	\$ 2,561	\$ 65,933	\$ 68,032	\$ 462
Due to Other Agencies	3,959	121,538	121,517	3,980
Total Liabilities	<u>\$ 6,520</u>	<u>\$ 187,471</u>	<u>\$ 189,549</u>	<u>\$ 4,442</u>

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Solid Waste Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Licenses and Permits	\$ 11	\$ 10	\$ 1
Use of Money and Property:			
Investment Income	15		15
Other Agencies:			
State Grants	28		28
Charges for Current Services:			
Commercial Refuse	5,154	5,272	(118)
Landfill Services	3,755	4,178	(423)
Refuse Penalties	107	130	(23)
Self Haul Fees	642	558	84
Total Charges for Current Services	9,658	10,138	(480)
Miscellaneous Revenue:			
Recycling	34	46	(12)
Balance Available from Prior Years (1)		2,746	(2,746)
Other	41		41
Total Miscellaneous Revenue	75	2,792	(2,717)
Total Revenues	9,787	12,940	(3,153)
Expenditures:			
Current:			
Environment and Development:			
Solid Waste Management:			
Personal Services	11,720	11,919	199
Contractual Services	11,772	12,393	621
Commodities	3,311	1,696	(1,615)
Interactivity Transfers	(740)	(666)	74
Total Solid Waste Management	26,063	25,342	(721)
Debt Service:			
Principal	1,417	1,505	88
Interest	83	105	22
Total Debt Service	1,500	1,610	110
Capital Projects	35	651	616
Total Expenditures	27,598	27,603	5
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,811)	(14,663)	(3,148)
Other Financial Sources (Uses):			
Transfers from Other Funds	21,349	18,116	3,233
Transfers to Other Funds	(695)	(1,682)	987
Total Other Financial Sources (Uses)	20,654	16,434	4,220
Net Change in Fund Balance	2,843	\$ 1,771	\$ 1,072
Fund Balance - July 1	1,735		
Fund Balance - June 30	\$ 4,578		

(1) Portion of prior year's fund balance budgeted for use in the 2001-02 fiscal year

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Library Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Fines, Forfeitures and Penalties:			
Library Penalties	\$ 548	\$ 605	\$ (57)
Other Agencies:			
County Operating Assistance	9,040	11,239	(2,199)
Other	1,054		1,054
Total Other Agencies	10,094	11,239	(1,145)
Miscellaneous Revenue	2	552	(550)
Total Revenues	10,644	12,396	(1,752)
Expenditures:			
Current:			
Neighborhood Services:			
Library:			
Personal Services	12,095	11,788	(307)
Contractual Services	2,563	2,934	371
Commodities	4,637	5,220	583
Interactivity Transfers		453	453
Total Library	19,295	20,395	1,100
Capital Outlay		63	63
Capital Projects		80	80
Total Expenditures	19,295	20,538	1,243
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,651)	(8,142)	(509)
Other Financial Sources (Uses):			
Transfers from Other Funds	8,694	8,472	222
Net Change in Fund Balance	43	\$ 330	\$ (287)
Fund Balance - July 1	105		
Fund Balance - June 30	\$ 148		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Public Safety Academy Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Use of Money and Property:			
Investment Income	\$ 8	\$	\$ 8
Other Agencies:			
AZ Post	950	413	537
Charges for Current Services:			
Fire Training Services	64	145	(81)
Law Enforcement Training Contracts	140	270	(130)
Total Charges for Current Services	204	415	(211)
Total Revenues	1,162	828	334
Expenditures:			
Current:			
Neighborhood Services:			
Police:			
Personal Services	1,462	1,354	(108)
Contractual Services	341	422	81
Commodities	148	263	115
Interactivity Transfers		210	210
Total Police	1,951	2,249	298
Fire:			
Personal Services	774	779	5
Contractual Services	326	473	147
Commodities	89	222	133
Interactivity Transfers		145	145
Total Fire	1,189	1,619	430
Total Neighborhood Services	3,140	3,868	728
Debt Service:			
Principal	185	185	0
Interest	68	68	0
Total Debt Service	253	253	0
Capital Outlay	23	63	40
Capital Projects	300	60	(240)
Total Expenditures	3,716	4,244	528
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,554)	(3,416)	862
Other Financial Sources (Uses):			
Transfers from Other Funds	2,978	3,677	(699)
Net Change in Fund Balance	424	\$ 261	\$ 163
Fund Balance (Deficit) - July 1	(327)		
Fund Balance - June 30	\$ 97		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Convention Center Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Charges for Current Services:			
Room Rental	\$ 939	\$ 1,500	\$ (561)
Box Office Fees	173	200	(27)
Parking	739	700	39
Concessions and Catering	423	550	(127)
Novelty Sales	41	70	(29)
Commissions	88	48	40
Facility User Fees	333	700	(367)
Other	47	45	2
Total Charges for Current Services	<u>2,783</u>	<u>3,813</u>	<u>(1,030)</u>
Miscellaneous Revenue	<u>64</u>	<u>158</u>	<u>(94)</u>
Total Revenues	<u>2,847</u>	<u>3,971</u>	<u>(1,124)</u>
Expenditures:			
Current:			
Strategic Initiatives:			
Convention Center:			
Personal Services	2,616	2,814	198
Contractual Services	6,362	6,178	(184)
Commodities	260	284	24
Total Convention Center	<u>9,238</u>	<u>9,276</u>	<u>38</u>
Capital Outlay	<u>40</u>	<u>1,007</u>	<u>967</u>
Total Expenditures	<u>9,278</u>	<u>10,283</u>	<u>1,005</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,431)</u>	<u>(6,312)</u>	<u>(119)</u>
Other Financial Sources (Uses):			
Transfers from Other Funds	<u>6,513</u>	<u>6,312</u>	<u>201</u>
Net Change in Fund Balance	<u>82</u>	<u>\$ 0</u>	<u>\$ 82</u>
Fund Balance - July 1	<u>1,126</u>		
Fund Balance - June 30	<u>\$ 1,208</u>		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
H.U.R.F. Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Licenses and Permits:			
Developer In-Lieu Fees	\$ 2,221	\$	\$ 2,221
Use of Money and Property:			
Interest Earnings	1,339	1,505	(166)
Rentals/Leases	82		82
Total Use of Money and Property	<u>1,421</u>	<u>1,505</u>	<u>(84)</u>
Other Agencies:			
Highway User Shared State Tax	37,154	26,775	10,379
County Operating Assistance	75		75
Other	2		2
Total Other Agencies	<u>37,231</u>	<u>26,775</u>	<u>10,456</u>
Miscellaneous Revenue	<u>367</u>	<u>13,570</u>	<u>(13,203)</u>
Total Revenues	<u>41,240</u>	<u>41,850</u>	<u>(610)</u>
Expenditures:			
Current:			
Environment and Development:			
Transportation:			
Personal Services	16,755	17,063	308
Contractual Services	11,829	12,033	204
Commodities	3,196	3,437	241
Interactivity Transfers	(5,165)	(5,328)	(163)
Total Transportation	<u>26,615</u>	<u>27,205</u>	<u>590</u>
Non-Departmental	<u>350</u>	<u>261</u>	<u>(89)</u>
Debt Service:			
Principal	1,710	1,710	0
Interest	211	400	189
Total Debt Service	<u>1,921</u>	<u>2,110</u>	<u>189</u>
Capital Outlay	<u>104</u>	<u>352</u>	<u>248</u>
Capital Projects	<u>7,219</u>	<u>11,274</u>	<u>4,055</u>
Total Expenditures	<u>36,209</u>	<u>41,202</u>	<u>4,993</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,031</u>	<u>648</u>	<u>4,383</u>
Other Financial Sources (Uses):			
Transfers from Other Funds	978		978
Transfers to Other Funds	(9,945)		(9,945)
Total Other Financial Sources (Uses)	<u>(8,967)</u>	<u>0</u>	<u>(8,967)</u>
Net Change in Fund Balance	<u>(3,936)</u>	\$ <u>648</u>	\$ <u>(4,584)</u>
Fund Balance - July 1	<u>35,385</u>		
Fund Balance - June 30	\$ <u>31,449</u>		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Human and Community Development Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Use of Money and Property:			
Investment Income	\$ 27	\$	\$ 27
Grants and Contributions on Federal Programs:			
CDBG Entitlement	7,602	13,797	(6,195)
Program Income	75		75
Total Grants and Contributions on Federal Programs	7,677	13,797	(6,120)
Miscellaneous Revenue:	95		95
Total Revenues	7,799	13,797	(5,998)
Expenditures:			
Current:			
Neighborhood Services:			
Community Services:			
Personal Services	1,456	1,513	57
Contractual Services	4,670	9,072	4,402
Commodities	85	105	20
Interactivity Transfers		658	658
Total Community Services	6,211	11,348	5,137
Strategic Initiatives:			
Economic Development:			
Interactivity Transfers		150	150
Non-Departmental	31		(31)
Debt Service:			
Principal	29	32	3
Interest	17	14	(3)
Total Debt Service	46	46	0
Capital Outlay	47		(47)
Capital Projects	1,293	2,253	960
Total Expenditures	7,628	13,797	6,169
Excess (Deficiency) of Revenues Over (Under) Expenditures	171	0	171
Net Change in Fund Balance	171	\$ 0	\$ 171
Fund Balance - July 1	3,505		
Fund Balance - June 30	\$ 3,676		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Public Housing Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Use of Money and Property:			
Investment Income	\$ 66	\$	\$ 66
Grants and Contributions on Federal Programs:			
Operating Subsidy - Federal	2,838	4,248	(1,410)
Section 8 - Federal Housing Assistance	23,158	25,340	(2,182)
Total Grants and Contributions on Federal Programs	25,996	29,588	(3,592)
Charges for Current Services:			
Other	1,418	1,943	(525)
Miscellaneous Revenue:			
Sale of Equipment	3		3
Adjustment of Prior Years	107		107
Other	1		1
Total Miscellaneous Revenue	111		111
Total Revenues	27,591	31,531	(3,940)
Expenditures:			
Current:			
Neighborhood Services:			
Community Services:			
Personal Services	3,751	4,774	1,023
Contractual Services	22,835	25,542	2,707
Commodities	507	584	77
Other		52	52
Interactivity Transfers		350	350
Total Community Services	27,093	31,302	4,209
Debt Service:			
Principal	96	96	0
Interest	44	43	(1)
Fiscal Agent Fees and Other	1		(1)
Total Debt Service	141	139	(2)
Capital Outlay	89	90	1
Total Expenditures	27,323	31,531	4,208
Excess (Deficiency) of Revenues Over (Under) Expenditures	268	0	268
Net Change in Fund Balance	268	\$ 0	\$ 268
Fund Balance - July 1	1,963		
Fund Balance - June 30	\$ 2,231		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Miscellaneous Housing Grant Funds
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Grants and Contributions on Federal Programs:			
Federal Grants	\$ 12,275	\$ 38,058	\$ (25,783)
Program Income	931		931
Total Revenues	<u>13,206</u>	<u>38,058</u>	<u>(24,852)</u>
Expenditures:			
Current:			
Neighborhood Services:			
Community Services:			
Personal Services	1,670	2,113	443
Contractual Services	6,735	10,541	3,806
Commodities	171	184	13
Interactivity Transfers	32	13,522	13,490
Total Community Services	<u>8,608</u>	<u>26,360</u>	<u>17,752</u>
Debt Service:			
Principal	7	7	0
Interest	3	3	0
Total Debt Service	<u>10</u>	<u>10</u>	<u>0</u>
Capital Outlay	<u>294</u>	<u>2,720</u>	<u>2,426</u>
Capital Projects	<u>1,797</u>	<u>8,968</u>	<u>7,171</u>
Total Expenditures	<u>10,709</u>	<u>38,058</u>	<u>27,349</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,497</u>	<u>0</u>	<u>2,497</u>
Net Change in Fund Balance	<u>2,497</u>	<u>\$ 0</u>	<u>\$ 2,497</u>
Fund Balance - July 1	<u>7,433</u>		
Fund Balance - June 30	<u>\$ 9,930</u>		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Other Federal Grants Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Fines, Forfeitures and Penalties	\$ 76	\$	\$ 76
Grants and Contributions on Federal Programs:			
Federal Grants	16,115	42,350	(26,235)
Program Income	31		31
Total Grants and Contributions on Federal Programs	<u>16,146</u>	<u>42,350</u>	<u>(26,204)</u>
Total Revenues	<u>16,222</u>	<u>42,350</u>	<u>(26,128)</u>
Expenditures:			
Current:			
Elected and Official:			
Personal Services	266	325	59
Contractual Services	1		(1)
Interactivity Transfers	1		(1)
Total Elected and Official	<u>268</u>	<u>325</u>	<u>57</u>
Support Services:			
Operations:			
Personal Services	51	75	24
Contractual Services	46	83	37
Commodities	3	16	13
Interactivity Transfers		1,326	1,326
Total Operations	<u>100</u>	<u>1,500</u>	<u>1,400</u>
Neighborhood Services:			
Community Services:			
Personal Services	61	86	25
Contractual Services	696	707	11
Commodities		2	2
Other	125	125	0
Interactivity Transfers		811	811
Total Community Services	<u>882</u>	<u>1,731</u>	<u>849</u>
Police:			
Personal Services	4,337	4,192	(145)
Contractual Services	1,160	886	(274)
Commodities	329	496	167
Interactivity Transfers		1,499	1,499
Total Police	<u>5,826</u>	<u>7,073</u>	<u>1,247</u>
Fire:			
Personal Services	9		(9)
Contractual Services	50	62	12
Commodities	89	400	311
Total Fire	<u>148</u>	<u>462</u>	<u>314</u>
Library:			
Personal Services		12	12
Contractual Services	44	27	(17)
Commodities	51	115	64
Total Library	<u>95</u>	<u>154</u>	<u>59</u>
Parks and Recreation:			
Personal Services	179	372	193
Contractual Services	87	163	76
Commodities	99	309	210
Total Parks and Recreation	<u>365</u>	<u>844</u>	<u>479</u>
Total Neighborhood Services	<u>7,316</u>	<u>10,264</u>	<u>2,948</u>

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Other Federal Grants Fund
Year Ended June 30, 2002
(in thousands)

(Continued)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Expenditures (Continued):			
Environment and Development:			
Planning:			
Contractual Services	\$ _____	\$ _____ 110	\$ _____ 110
Solid Waste Management:			
Contractual Services	_____ 3	_____ 7	_____ 4
Transportation:			
Personal Services	_____ 356	_____ 594	_____ 238
Contractual Services	_____ 96	_____ 130	_____ 34
Commodities	_____ 71	_____ 47	_____ (24)
Interactivity Transfers	_____	_____ (74)	_____ (74)
Total Transportation	_____ 523	_____ 697	_____ 174
Environmental Management:			
Personal Services	_____	_____ 11	_____ 11
Contractual Services	_____ 39	_____ 26	_____ (13)
Commodities	_____	_____ 2	_____ 2
Total Environmental Management	_____ 39	_____ 39	_____ 0
Historic Preservation:			
Contractual Services	_____ 12	_____ 10	_____ (2)
Total Historic Preservation	_____ 12	_____ 10	_____ (2)
Total Environment and Development	_____ 577	_____ 863	_____ 286
Strategic Initiatives:			
Economic Development:			
Personal Services	_____ 101	_____	_____ (101)
Contractual Services	_____ 78	_____	_____ (78)
Total Economic Development	_____ 179	_____	_____ (179)
Non-Departmental:			
Contractual Services	_____ 7	_____ 20	_____ 13
Capital Outlay	_____ 616	_____ 1,886	_____ 1,270
Capital Projects	_____ 7,133	_____ 16,596	_____ 9,463
Total Expenditures	_____ 16,196	_____ 31,454	_____ 15,258
Excess (Deficiency) of Revenues Over (Under) Expenditures	_____ 26	_____ 10,896	_____ (10,870)
Other Financial Sources (Uses):			
Federal Loan Proceeds	_____ 4,500	_____	_____ 4,500
Net Change in Fund Balance	_____ 4,526	\$ _____ 10,896	\$ _____ (6,370)
Fund Balance - July 1	_____ 45		
Fund Balance - June 30	\$ _____ 4,571		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Non-Federal Grants Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Other Agencies:			
Grants	\$ 1,672	\$ 7,083	\$ (5,411)
Total Revenues	<u>1,672</u>	<u>7,083</u>	<u>(5,411)</u>
Expenditures:			
Current:			
Elected and Official:			
Personal Services	66	105	39
Commodities	14	18	4
Interactivity Transfers		100	100
Total Elected and Official	<u>80</u>	<u>223</u>	<u>143</u>
Support Services:			
Operations:			
Contractual Services	19	32	13
Interactivity Transfers	(229)	1,243	1,472
Total Operations	<u>(210)</u>	<u>1,275</u>	<u>1,485</u>
Neighborhood Services:			
Community Services:			
Contractual Services	51	60	9
Interactivity Transfers		440	440
Total Community Services	<u>51</u>	<u>500</u>	<u>449</u>
City Court:			
Personal Services	90	104	14
Contractual Services	46	88	42
Interactivity Transfers		170	170
Total City Court	<u>136</u>	<u>362</u>	<u>226</u>
Police:			
Personal Services	404	315	(89)
Contractual Services	304	397	93
Interactivity Transfers		343	343
Total Police	<u>708</u>	<u>1,055</u>	<u>347</u>
Fire:			
Interactivity Transfers		350	350
Library:			
Personal Services	83	217	134
Contractual Services	62	83	21
Commodities	25	37	12
Interactivity Transfers		142	142
Total Library	<u>170</u>	<u>479</u>	<u>309</u>
Parks and Recreation:			
Personal Services	36	220	184
Contractual Services	2	9	7
Commodities	2	151	149
Total Parks and Recreation	<u>40</u>	<u>380</u>	<u>340</u>
Total Neighborhood Services	<u>1,105</u>	<u>3,126</u>	<u>2,021</u>
Environment and Development:			
Solid Waste Management:			
Contractual Services	18	20	2
Interactivity Transfers		390	390
Total Solid Waste Management	<u>18</u>	<u>410</u>	<u>392</u>
Transportation:			
Contractual Services		245	245
Commodities	3		(3)
Total Transportation	<u>3</u>	<u>245</u>	<u>242</u>

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Non-Federal Grants Fund
Year Ended June 30, 2002
(in thousands)

(Continued)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Expenditures (Continued):			
Historic Preservation:			
Contractual Services	57	122	65
Interactivity Transfers		150	150
Total Historic Preservation	<u>57</u>	<u>272</u>	<u>215</u>
Total Environment and Development	<u>78</u>	<u>927</u>	<u>849</u>
Strategic Initiatives:			
Economic Development:			
Contractual Services	\$ 21	\$	\$ (21)
Non-Departmental	<u>103</u>	<u>281</u>	<u>178</u>
Capital Outlay	<u>313</u>	<u>290</u>	<u>(23)</u>
Capital Projects	<u>188</u>	<u>940</u>	<u>752</u>
Total Expenditures	<u>1,678</u>	<u>7,062</u>	<u>5,384</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6)</u>	<u>21</u>	<u>(27)</u>
Net Change in Fund Balance	<u>(6)</u>	<u>\$ 21</u>	<u>\$ (27)</u>
Fund Balance - July 1	<u>280</u>		
Fund Balance - June 30	<u>\$ 274</u>		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
General Obligation Bond and Interest Debt Service Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Taxes:			
Property Taxes - Current	\$ 20,954	\$ 20,954	\$ 0
Use of Money and Property:			
Investment Income	167		167
Total Revenues	<u>21,121</u>	<u>20,954</u>	<u>167</u>
Expenditures:			
Debt Service:			
Principal	7,030	7,030	0
Interest	13,785	13,919	134
Fiscal Agent Fees and Other	231	5	(226)
Advance Refunding Escrow	1,048		(1,048)
Total Expenditures	<u>22,094</u>	<u>20,954</u>	<u>(1,140)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(973)</u>	<u>0</u>	<u>(973)</u>
Other Financial Sources (Uses):			
Proceeds From Bond Sales	26,431		26,431
Transfers from Other Funds	158		158
Transfers to Other Funds	(167)		(167)
Payment to Refunded Bond Escrow Agent	(25,155)		(25,155)
Total Other Financial Sources (Uses)	<u>1,267</u>		<u>1,267</u>
Net Change in Fund Balance	<u>294</u>	\$ <u>0</u>	\$ <u>294</u>
Fund Balance - July 1	<u>1,209</u>		
Fund Balance - June 30	\$ <u><u>1,503</u></u>		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
Street and Highway Bond and Interest Debt Service Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Other Agencies:			
Highway User Shared State Tax	\$ 5,616	\$ 15,563	\$ (9,947)
Total Revenues	<u>5,616</u>	<u>15,563</u>	<u>(9,947)</u>
Expenditures:			
Debt Service:			
Principal	6,645	6,645	0
Interest	<u>8,903</u>	<u>8,918</u>	<u>15</u>
Total Expenditures	<u>15,548</u>	<u>15,563</u>	<u>15</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,932)</u>	<u>0</u>	<u>(9,932)</u>
Other Financial Sources (Uses):			
Transfers from Other Funds	10,089		10,089
Transfers to Other Funds	<u>(157)</u>		<u>(157)</u>
Total Other Financial Sources (Uses)	<u>9,932</u>		<u>9,932</u>
Net Change in Fund Balance	<u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balance - July 1			
Fund Balance - June 30	\$ <u>0</u>		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
1994 Street and Highway Improvement Bond Capital Project Funds
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Use of Money and Property:			
Interest Earnings	\$ 337	\$	\$ 337
Other Agencies:			
Other	2		2
Miscellaneous Revenue:			
Sale of Real Property	109		109
Total Revenues	<u>448</u>	<u></u>	<u>448</u>
Expenditures:			
Current:			
Environment and Development:			
Transportation	<u>2</u>	<u></u>	<u>(2)</u>
Capital Projects:			
Environment and Development:			
Transportation	<u>8,568</u>	<u>14,084</u>	<u>5,516</u>
Costs of Issuance and Other	<u>97</u>	<u></u>	<u>(97)</u>
Total Expenditures	<u>8,667</u>	<u>14,084</u>	<u>5,417</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,219)</u>	<u>(14,084)</u>	<u>5,865</u>
Other Financial Sources (Uses):			
Proceeds From Bond Sales	10,102	14,084	(3,982)
Transfers to Other Funds	<u>(764)</u>	<u></u>	<u>(764)</u>
Total Other Financial Sources (Uses)	<u>9,338</u>	<u>14,084</u>	<u>(4,746)</u>
Net Change in Fund Balance	<u>1,119</u>	\$ <u>0</u>	\$ <u>1,119</u>
Fund Balance - July 1	<u>4,428</u>		
Fund Balance - June 30	\$ <u><u>5,547</u></u>		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
2000 Street and Highway Improvement Bond Capital Project Funds
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Use of Money and Property:			
Interest Earnings	\$ 178	\$	\$ 178
Total Revenues	<u>178</u>		<u>178</u>
Expenditures:			
Capital Projects:			
Environment and Development:			
Transportation	<u>2,400</u>	<u>6,147</u>	<u>3,747</u>
Costs of Issuance and Other	<u>14</u>		<u>(14)</u>
Total Expenditures	<u>2,414</u>	<u>6,147</u>	<u>3,733</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,236)</u>	<u>(6,147)</u>	<u>3,911</u>
Other Financial Sources (Uses):			
Proceeds From Bond Sales	5,555	6,147	(592)
Transfers to Other Funds	<u>(214)</u>		<u>(214)</u>
Total Other Financial Sources (Uses)	<u>5,341</u>	<u>6,147</u>	<u>(806)</u>
Net Change in Fund Balance	<u>3,105</u>	\$ <u>0</u>	\$ <u>3,105</u>
Fund Balance (Deficit) - July 1	<u>(5)</u>		
Fund Balance - June 30	\$ <u><u>3,100</u></u>		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
1984 General Obligation Bond Capital Project Funds
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Use of Money and Property:			
Investment Income	\$ <u>57</u>	\$ <u> </u>	\$ <u>57</u>
Total Revenues	<u>57</u>	<u> </u>	<u>57</u>
Expenditures:			
Capital Projects:			
Support Services:			
Operations	<u>861</u>	<u>1,337</u>	<u>476</u>
Neighborhood Services:			
Fire	<u>22</u>	<u>96</u>	<u>74</u>
Parks and Recreation	<u>197</u>	<u>197</u>	<u>0</u>
Total Neighborhood Services	<u>219</u>	<u>293</u>	<u>74</u>
Total Expenditures	<u>1,080</u>	<u>1,630</u>	<u>550</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,023)</u>	<u>(1,630)</u>	<u>607</u>
Other Financial Sources (Uses):			
Proceeds From Bond Sales		1,630	(1,630)
Transfers to Other Funds	<u>(11)</u>	<u> </u>	<u>(11)</u>
Total Other Financial Sources (Uses)	<u>(11)</u>	<u>1,630</u>	<u>(1,641)</u>
Net Change in Fund Balance	<u>(1,034)</u>	\$ <u>0</u>	\$ <u>(1,034)</u>
Fund Balance - July 1	<u>1,589</u>		
Fund Balance - June 30	\$ <u>555</u>		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
1994 General Obligation Bond Capital Project Funds
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Use of Money and Property:			
Investment Income	\$ 421	\$	\$ 421
Total Revenues	<u>421</u>	<u></u>	<u>421</u>
Expenditures:			
Current:			
Environment and Development:			
Solid Waste Management	430		(430)
Non-Departmental	<u>807</u>	<u></u>	<u>(807)</u>
Capital Projects:			
Neighborhood Services:			
Police	57	70	13
Fire	52	650	598
Library		807	807
Parks and Recreation	140	362	222
Total Neighborhood Services	<u>249</u>	<u>1,889</u>	<u>1,640</u>
Environment and Development:			
Solid Waste Management	12	1,679	1,667
Transportation	1,234	2,551	1,317
Total Environment and Development	<u>1,246</u>	<u>4,230</u>	<u>2,984</u>
Non-Departmental	<u>462</u>	<u>3,896</u>	<u>3,434</u>
Total Expenditures	<u>3,194</u>	<u>10,015</u>	<u>6,821</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,773)</u>	<u>(10,015)</u>	<u>7,242</u>
Other Financial Sources (Uses):			
Proceeds From Bond Sales		10,015	(10,015)
Net Change in Fund Balance	<u>(2,773)</u>	\$ <u>0</u>	\$ <u>(2,773)</u>
Fund Balance - July 1	<u>11,425</u>		
Fund Balance - June 30	\$ <u>8,652</u>		

CITY OF TUCSON, ARIZONA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance, Final Budget and Actual
2000 General Obligation Bond Capital Project Funds
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Use of Money and Property:			
Investment Income	\$ 1,435	\$	\$ 1,435
Other Agencies:			
State Grants	5		5
Total Revenues	<u>1,440</u>		<u>1,440</u>
Expenditures:			
Current:			
Environment and Development:			
Solid Waste Management	246		(246)
Non-Departmental	<u>97</u>		<u>(97)</u>
Capital Projects:			
Neighborhood Services:			
Police	1,830	3,304	1,474
Fire	96	5,516	5,420
Library	644	5,229	4,585
Parks and Recreation	2,469	13,820	11,351
Total Neighborhood Services	<u>5,039</u>	<u>27,869</u>	<u>22,830</u>
Environment and Development:			
Solid Waste Management	2,446	6,806	4,360
Transportation	7,637	21,600	13,963
Total Environment and Development	<u>10,083</u>	<u>28,406</u>	<u>18,323</u>
Non-Departmental		<u>3,276</u>	<u>3,276</u>
Cost of Issuance and Other	<u>166</u>		<u>(166)</u>
Total Expenditures	<u>15,631</u>	<u>59,551</u>	<u>43,920</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,191)</u>	<u>(59,551)</u>	<u>45,360</u>
Other Financial Sources (Uses):			
Proceeds From Bond Sales	26,838	59,551	(32,713)
Transfers to Other Funds	<u>(158)</u>		<u>(158)</u>
Total Other Financial Sources (Uses)	<u>26,680</u>	<u>59,551</u>	<u>(32,871)</u>
Net Change in Fund Balance	<u>12,489</u>	\$ <u>0</u>	\$ <u>12,489</u>
Fund Balance - July 1	<u>15,723</u>		
Fund Balance - June 30	\$ <u><u>28,212</u></u>		

City of Tucson, Arizona
Schedule of Income - Budget and Actual
Water Utility Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operating Revenues:			
Water Sales:			
Potable Water Sales	\$ 91,916	\$ 88,689	\$ 3,227
Reclaimed Water Sales	5,567	5,252	315
Total Water Sales	<u>97,483</u>	<u>93,941</u>	<u>3,542</u>
Central Arizona Project Surcharge	963	962	1
Connection Fees	3,151	2,898	253
Billing Services	1,419	1,484	(65)
Miscellaneous Revenues:			
TCE Cleanup Reimbursement	667	788	(121)
Area Development Fees	1,488	2,838	(1,350)
Oro Valley Settlement	5,410		5,410
Other	2,213	1,021	1,192
Total Miscellaneous Revenues	<u>9,778</u>	<u>4,647</u>	<u>5,131</u>
Total Operating Revenues	<u>112,794</u>	<u>103,932</u>	<u>8,862</u>
Operating Expenses:			
Director's Office:			
Personal Services	1,159	1,090	(69)
Contractual Services	1,008	1,050	42
Commodities	183	184	1
Total Director's Office	<u>2,350</u>	<u>2,324</u>	<u>(26)</u>
Business Services:			
Personal Services	6,034	6,002	(32)
Contractual Services	1,347	1,575	228
Commodities	1,379	1,330	(49)
Total Business Services	<u>8,760</u>	<u>8,907</u>	<u>147</u>
Water Operations:			
Personal Services	11,095	10,564	(531)
Contractual Services	14,139	13,044	(1,095)
Commodities	2,912	3,082	170
Total Water Operations	<u>28,146</u>	<u>26,690</u>	<u>(1,456)</u>
Planning and Engineering:			
Personal Services	2,282	2,191	(91)
Contractual Services	322	385	63
Commodities	228	325	97
Total Planning and Engineering	<u>2,832</u>	<u>2,901</u>	<u>69</u>
Quality Management:			
Personal Services	3,698	3,671	(27)
Contractual Services	2,736	3,447	711
Commodities	765	1,135	370
Total Quality Management	<u>7,199</u>	<u>8,253</u>	<u>1,054</u>
General Expenses:			
Personal Services	581	1,035	454
Contractual Services	13,211	13,320	109
Commodities	50	62	12
Total General Expenses	<u>13,842</u>	<u>14,417</u>	<u>575</u>
Depreciation	<u>24,747</u>		<u>(24,747)</u>
Amortization of Goodwill	28		(28)
Loss on Accounts Receivable Prepayment	920		(920)
Total Operating Expenses	<u>88,824</u>	<u>63,492</u>	<u>(25,332)</u>
Net Operating Income (Loss)	<u>23,970</u>	<u>40,440</u>	<u>(16,470)</u>

(Continued)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Nonoperating Income:			
Investment Income:			
Operating Funds	\$ 1,229	\$ 1,158	\$ 71
Central Arizona Project Fund	11		11
Investments- Debt Service	144		144
Investments- Construction	564		564
Total Investment Income	<u>1,948</u>	<u>1,158</u>	<u>790</u>
Gain on Sale of Property/Equipment	114		114
Total Nonoperating Income	<u>2,062</u>	<u>1,158</u>	<u>904</u>
Nonoperating Expenses:			
Interest Expense - Bonds	16,022	17,715	1,693
Interest Expense - Contracts	84	91	7
Amortization of Cost of Issuance	41		(41)
Other Nonoperating Expense	222	60	(162)
Total Nonoperating Expenses	<u>16,369</u>	<u>17,866</u>	<u>1,497</u>
Net Income (Loss) Before Capital Contributions and Transfers	<u>9,663</u>	<u>23,732</u>	<u>(14,069)</u>
Capital Contributions	<u>9,972</u>		<u>9,972</u>
Change in Net Assets	<u>19,635</u>	<u>\$ 23,732</u>	<u>\$ (4,097)</u>
Net Assets - July 1	537,969		
Prior Period Adjustment (Note 2)	<u>(3,894)</u>		
Net Assets Restated - July 1	<u>534,075</u>		
Net Assets - June 30	<u>\$ 553,710</u>		

CITY OF TUCSON, ARIZONA
Schedule of Income - Budget and Actual
Golf Course Fund
Year Ended June 30, 2002
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operating Revenues:			
Green Fees	\$ 5,236	\$ 6,273	\$ (1,037)
Cart Rentals	1,692	1,098	594
Pro Shop Operations	543	609	(66)
Driving Range	525	562	(37)
Miscellaneous	340	517	(177)
Clubhouse Operations	1,285	1,455	(170)
Total Operating Revenues	<u>9,621</u>	<u>10,514</u>	<u>(893)</u>
Operating Expenses:			
Administration:			
Personal Services	407	359	(48)
Contractual Services	320	308	(12)
Commodities	18	30	12
Total Administration	<u>745</u>	<u>697</u>	<u>(48)</u>
Randolph Golf Course:			
Personal Services	1,191	918	(273)
Contractual Services	800	617	(183)
Commodities	625	613	(12)
Total Randolph Golf Course	<u>2,616</u>	<u>2,148</u>	<u>(468)</u>
El Rio Golf Course:			
Personal Services	378	444	66
Contractual Services	216	355	139
Commodities	156	224	68
Total El Rio Golf Course	<u>750</u>	<u>1,023</u>	<u>273</u>
Silverbell Golf Course:			
Personal Services	356	416	60
Contractual Services	110	143	33
Commodities	217	247	30
Total Silverbell Golf Course	<u>683</u>	<u>806</u>	<u>123</u>
Enke Golf Course:			
Personal Services	413	429	16
Contractual Services	327	297	(30)
Commodities	196	216	20
Total Enke Golf Course	<u>936</u>	<u>942</u>	<u>6</u>
Tournaments:			
Personal Services		9	9
Contractual Services	2	12	10
Commodities		29	29
Total Tournaments	<u>2</u>	<u>50</u>	<u>48</u>
Clubhouse Operations:			
Personal Services	626	688	62
Contractual Services	191	209	18
Commodities	461	536	75
Total Clubhouse Operations	<u>1,278</u>	<u>1,433</u>	<u>155</u>
Pro Shop Operations:			
Personal Services	1,325	1,613	288
Contractual Services	93	108	15
Commodities	85	596	511
Cost of Goods Sold	327		(327)
Total Pro Shop Operations	<u>1,830</u>	<u>2,317</u>	<u>487</u>
Depreciation	<u>814</u>		<u>(814)</u>
Amortization of Goodwill	<u>2</u>		<u>(2)</u>
Total Operating Expenses	<u>9,656</u>	<u>9,416</u>	<u>(240)</u>
Net Operating Income (Loss)	<u>(35)</u>	<u>1,098</u>	<u>(1,133)</u>

(Continued)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Nonoperating Income:			
Investment Income	\$ 10	\$	\$ 10
Gain on Sale of Property/Equipment		417	(417)
Other		55	(55)
Total Nonoperating Income	<u>10</u>	<u>472</u>	<u>(462)</u>
Nonoperating Expenses:			
Interest Expense	313	247	(66)
Loss on Sale of Property/Equipment	1		(1)
Amortization of Cost Issuance	5		(5)
Total Nonoperating Expense	<u>319</u>	<u>247</u>	<u>(72)</u>
Net Income (Loss) Before Capital Contributions and Transfers	<u>(344)</u>	<u>1,323</u>	<u>(1,667)</u>
Change in Net Assets	<u>(344)</u>	<u>\$ 1,323</u>	<u>\$ (1,667)</u>
Net Assets - July 1	<u>14,899</u>		
Net Assets - June 30	<u>\$ 14,555</u>		

CITY OF TUCSON, ARIZONA
Revenues, Expenses and Flow of Funds
Per Ordinance No. 6347 (1)
Water Utility Fund
Year Ended June 30, 2002
(in thousands)

Revenues:

Sale of Water:		
Potable Water Sales	\$	91,916
Reclaimed Water Sales		5,567
Central Arizona Project Surcharge		953
Connection Fees		3,151
Oro Valley Settlement		5,410
Billing Services		1,419
Miscellaneous Revenue:		
Area Development Fees	\$	1,488
TCE Clean Up Reimbursement		667
Other		2,213
Total Miscellaneous Revenue		4,368
Nonoperating Income:		
Investment Income - Operating Fund	\$	1,240
Investment Income - Debt Service Fund		144
Gain on Sale of Property/Equipment		114
Total Nonoperating Income		1,498
Total Revenues		<u>114,282</u>

Operation and Maintenance Expenses:

Director's Office		4,022
Business Services		8,760
Water Operations		16,430
Planning and Engineering		5,624
Quality Management		5,836
Power - Potable System		10,670
Power - Reclaimed System		938
CAP Water Purchases:		
Commodity	\$	1,688
Capital Charges		5,985
Total CAP Water Purchases		7,673
General Expenses		886
Waterline Relocations: City-Shared Costs		
Capitalized Operation and Maintenance Expense		(4,464)
Loss on Accounts Receivable Prepayment		920
Total Operation and Maintenance Expense		<u>57,295</u>
Net Revenue Available After Operations (2)		<u>56,987</u>

Debt Service for Water Revenue Bonds:

Principal		7,501
Interest		15,786
Fiscal Fees		222
Total Debt Service for Water Revenue Bonds		<u>23,509</u>
Net Revenue Available After Operations and Water Revenue Bond Debt Service	\$	<u>33,478</u>

- (1) This is a special purpose financial statement intended to show compliance with Ordinance 6347. It is not prepared in accordance with Generally Accepted Accounting Principles (GAAP).
- (2) Section 5.02 (b) of Ordinance 6347 covenants that the City will issue additional bonds only if Net Revenue Available after Operations has been at least equal to 120% of the Maximum Future Annual Debt Service Requirement. The City's experience has shown that more favorable interest rates (and thus lower debt service costs) can be attained if such coverage is 150% to 200%. For the period ended June 30, 2002, the debt coverage for the Maximum Future Debt Service Requirement is 206%. An amendment to Section 7.01 of Ordinance 6347 further requires that if the Net Revenue of any fiscal year does not equal or exceed 175% of the Annual Debt Service Requirement for that fiscal year, the City will deposit additional monies into a required reserve account. For the period ended June 30, 2002, the debt coverage for the Annual Debt Service Requirement is 242%.



Statistical Section

CITY OF TUCSON, ARIZONA
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years (unaudited)
(dollar amounts in thousands)

TABLE I

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
General Government:										
Elected and Official	\$ 10,950	\$ 13,260	\$ 13,684	\$ 17,596	\$ 16,379	\$ 19,844	\$ 18,548	\$ 23,868	\$ 23,868	\$ 16,415
Support Services:										
Finance	5,003	5,086	5,018	5,335	5,576	5,496	5,818	6,616	6,667	6,954
Budget and Research	1,406	1,551	1,429	1,661	1,606	1,644	1,620	1,781	1,889	2,113
Procurement	2,052	2,096	2,167	2,394	2,210	2,320	2,682	2,754	3,669	3,168
Information Technology	1,078	2,064	3,505	6,007	7,300	7,568	8,682	9,480	9,096	9,131
Human Resources	2,763	2,733	2,116	2,239	2,112	2,640	2,645	2,877	2,926	2,801
Operations	30,830	9,866	10,585	10,205	11,921	12,818	12,948	16,937	16,811	15,212
City Manager Support Services (2)										2,203
Neighborhood Services:										
Community Services (3)	29,879	32,805	44,157	43,200	42,196	47,165	54,879	50,546	46,934	46,252
City Court	6,205	6,401	6,322	6,939	7,257	8,187	8,178	8,570	9,418	9,349
Public Defender	1,301	1,364	1,387	1,523	1,540	1,601	1,678	1,858	1,940	2,050
Police	54,966	55,581	59,394	63,723	65,167	68,376	77,296	90,271	99,960	100,532
Fire	25,256	26,388	27,764	28,957	29,285	30,403	32,805	36,487	39,990	42,156
Library	10,794	11,257	12,802	13,125	13,179	13,555	15,123	16,618	18,578	19,728
Parks and Recreation	21,645	24,316	28,092	30,458	37,139	33,983	38,113	38,473	37,877	36,041
City Manager Neighborhood Services (2)										937
Environment & Development:										
Planning	2,206	2,371	2,352	2,581	2,603	2,717	2,762	3,028	2,829	3,156
Development Services	3,365	3,211	3,274	3,585	3,797	3,847	4,123	4,622	6,076	6,344
Solid Waste Management (4)		15,211	16,627	18,921	21,252	21,767	21,819	25,013	26,769	26,760
Transportation	34,468	47,548	67,119	69,173	79,468	85,515	76,676	97,730	93,183	70,181
City Manager Environment and Development (2)										2,369
Strategic Initiatives										
Convention Center	4,124	4,442	4,725	4,764	4,739	6,313	5,950	5,101	5,895	9,241
Rio Nuevo(6)								172	2,046	
City Manager Strategic Initiatives (2)										2,686
Nondepartmental	6,223	5,392	13,024	14,518	7,181	8,276	11,382	23,385	11,889	7,544
Debt Service	26,763	30,774	35,989	39,233	39,200	39,836	42,036	46,302	50,372	48,523
Capital Projects/Outlays (5)	22,932	30,015								86,893
Total	\$ 304,209	\$ 333,732	\$ 361,532	\$ 386,137	\$ 401,107	\$ 423,871	\$ 445,763	\$ 512,489	\$ 518,682	\$ 578,739

- (1) Includes GAAP basis expenditures, except "Lease Purchase" expenditures which are offset by "Lease Purchase" proceeds, for the General Fund, all Special Revenue Funds, and General Obligation and Street and Highway Debt Service Funds (Excludes Special Assessment Debt Service)
- (2) Prior to Fiscal Year 2001-02, these functions were included in Elected and Official.
- (3) An \$86,000 correction was made for Community Services in Fiscal Year 1994. In previous reports, these expenditures were classified under General Government
- (4) Prior to Fiscal Year 1993-94 Solid Waste Management was part of Operations.
- (5) Capital Projects are included in the expenditures of the function to which they are related for Fiscal Years 1994-95 through 2001-01
- (6) Rio Nuevo became a Discretely Presented Component Unit in Fiscal Year 2001-02.

CITY OF TUCSON, ARIZONA
General Revenues By Source (1)
Last Ten Fiscal Years (unaudited)
(dollar amounts in thousands)

TABLE II

	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
Taxes	\$ 126,252	\$ 134,897	\$ 144,067	\$ 144,932	\$ 152,875	\$ 158,401	\$ 167,428	\$ 182,112	\$ 194,471	\$ 199,468
Licenses and Permits	4,015	4,344	4,635	12,476	11,499	16,884	14,755	16,530	17,514	18,098
Fines, Forfeitures and Penalties	5,678	6,295	5,928	6,365	7,030	7,996	8,095	6,433	7,443	8,946
Use of Money and Property	2,944	3,266	5,373	5,900	6,773	7,239	6,285	7,602	7,528	7,408
Other Agencies	108,540	115,569	126,001	133,450	131,519	138,624	154,790	163,956	175,774	176,900
Charges for Current Services	20,399	23,608	28,946	30,671	30,491	30,530	32,213	38,986	40,831	40,432
Special Assessments (2)										1,131
Grants and Contributions On Federal Projects	39,528	45,272	54,459	47,417	61,701	65,582	62,875	60,704	67,801	78,150
Miscellaneous Revenue	<u>4,500</u>	<u>3,065</u>	<u>2,941</u>	<u>18,663</u>	<u>7,798</u>	<u>19,058</u>	<u>9,715</u>	<u>8,250</u>	<u>8,082</u>	<u>2,935</u>
Total	<u>\$ 311,856</u>	<u>\$ 336,316</u>	<u>\$ 372,350</u>	<u>\$ 399,874</u>	<u>\$ 409,686</u>	<u>\$ 444,314</u>	<u>\$ 456,156</u>	<u>\$ 484,573</u>	<u>\$ 519,444</u>	<u>\$ 533,468</u>

(1) Includes GAAP basis revenues for the General Fund, all Special Revenue Funds, and General Obligation and Street and Highway Debt Service Funds (excludes Special Assessment Debt Service Fund).

(2) Special Assessment Capital Project Fund revenue (not bond proceeds). New GASB Statement No 34 presentation change for Fiscal Year 2001-02.

CITY OF TUCSON, ARIZONA
Property Tax Levies and Collections
Last Ten Fiscal Years (unaudited)
(dollar amounts in thousands)

TABLE III

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
1992-93	\$ 16,292	\$ 15,384	94.4 %	\$ 985	\$ 16,369	100.5 %	\$ 1,769	10.9 %
1993-94	16,174	15,382	95.1	941	16,323	100.9	1,446	8.9
1994-95	17,817	16,944	95.1	717	17,661	99.1	1,464	8.2
1995-96	17,945	17,163	95.7	934	18,097	100.9	1,306	7.3
1996-97	18,343	18,070	98.5	771	18,040	102.7	1,141	6.2
1997-98	17,905	17,328	96.8	683	18,011	100.5	1,078	6.0
1998-99	17,915	16,961	94.7	673	17,634	98.4	1,077	6.0
1999-00	19,832	18,798	94.8	812	19,610	98.9	862	4.3
2000-01	23,017	21,788	94.7	675	22,463	97.6	1,441	6.3
2001-02	23,885	22,478	94.1	979	23,457	98.2	725	3.0

CITY OF TUCSON, ARIZONA
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (unaudited)
(dollar amounts in thousands)

TABLE IV

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1992-93	\$ 1,267,611	\$ 10,428,187	\$ 230,693	\$ 939,251	\$ 1,498,304	\$ 11,367,438	0.13
1993-94	1,243,178	10,443,778	243,620	994,182	1,486,798	11,437,960	0.13
1994-95	1,306,084	11,117,506	240,688	977,854	1,546,772	12,095,360	0.13
1995-96	1,337,603	11,583,856	230,911	970,146	1,568,514	12,554,002	0.13
1996-97	1,357,143	11,788,763	241,653	1,131,077	1,598,796	12,919,840	0.12
1997-98	1,543,311	13,383,256	275,598	1,157,684	1,818,909	14,540,940	0.13
1998-99	1,605,984	13,807,855	269,891	1,173,053	1,875,875	14,980,908	0.13
1999-00	1,624,339	12,874,604	320,829	2,542,911	1,945,168	15,417,515	0.13
2000-01	1,713,871	13,515,042	334,750	2,639,735	2,048,621	16,154,777	0.13
2001-02	1,808,505	14,379,728	329,956	2,623,540	2,138,461	17,003,268	0.13

CITY OF TUCSON, ARIZONA
Property Tax Rates - Direct and Overlapping
Per \$100 Assessed Valuation
Last Ten Fiscal Years (1) (unaudited)

TABLE V

<u>Fiscal Year</u>	<u>State</u>	<u>County</u>	<u>City</u>	<u>School District #1</u>	<u>Junior College District</u>	<u>Other</u>	<u>Total</u>
1992-93							
Primary	0.4700	3.6949	0.2060	6.0128	0.9958	0.5300	11.9095
Secondary		1.3073	0.8840	1.0729		0.7806	4.0448
1993-94							
Primary	0.4700	3.5102	0.2026	6.2474	1.0599	0.5300	12.0201
Secondary		1.2955	0.8874	1.7217		0.7365	4.6411
1994-95							
Primary	0.4700	3.5102	0.2014	6.7922	1.1038	0.5300	12.6076
Secondary		1.2225	0.9568	1.9750		0.6524	4.8067
1995-96							
Primary	0.4700	3.5137	0.2000	6.7528	1.1441	0.5300	12.6106
Secondary		1.2325	0.9490	2.1532	0.0742	0.5535	4.9624
1996-97							
Primary		3.5137	0.1489	7.1193	1.1691	0.5300	12.4810
Secondary		1.1925	1.0000	2.3515	0.0742	0.5545	5.1727
1997-98							
Primary		3.5839	0.1428	7.0576	1.1166	0.5300	12.4309
Secondary		1.5520 (2)	0.8488	1.8525	0.0670	0.1917	4.5120
1998-99							
Primary		3.6852	0.1428	7.0800	1.1283	0.5300	12.5663
Secondary		1.5120	0.8173	1.7481	0.0639	0.1915	4.3328
1999-00							
Primary		4.0720	0.1428	6.8582	1.1626	0.5217	12.7573
Secondary		5.5651	0.8810	1.9287	0.2070	0.1100	8.6918
2000-01							
Primary		4.0720	0.1406	7.1105	1.1709	0.5123	13.0063
Secondary		5.5635	0.9864	1.9389	0.3865	0.1300	9.0053
2001-02							
Primary		4.0720	0.1403	8.0889	1.1455	0.4974	13.9441
Secondary		5.5838	0.9799	1.7199	0.4015	0.1300	8.8151

(1) Per Arizona revised Statute 42-301, primary tax levy (no restrictions on use) is limited to an increase of 2 % over the previous year's maximum allowable primary levy. Secondary tax may be levied in any amount necessary to pay for debt service or to provide special district funding.

(2) Beginning in 1997-98, the County Secondary Rate includes the Flood Control District rate which was previously placed in the "Other" secondary rate.

CITY OF TUCSON, ARIZONA
Principal Taxpayers
June 30, 2002 (unaudited)
(dollar amounts in thousands)

TABLE VI

<u>Taxpayers</u>	<u>Type of Business</u>	<u>Estimated 2001-02 Assessed Valuation</u>	<u>As % of City's Total 2001-02 Assessed Valuation</u>
Tucson Electric Power Company	Electric Utility	\$ 86,787	4.06 %
U.S. West Communications, Inc.	Telephone	50,407	2.36
Tucson Mall	Retail Stores	18,468	0.87
Southwest Gas Corporation	Natural Gas Utility	18,523	0.86
AT & T Communications	Telephone	11,785	0.55
Park Place	Retail Stores	12,239	0.57
El Con Mall	Retail Stores	8,617	0.40
WC Partners	Commercial Rentals	6,672	0.31
Wal-Mart	Retail Stores	5,955	0.28
MCI Worldcom Network	Telephone	6,132	0.29
Totals		\$ <u>225,585</u>	<u>10.55</u> %

Sources:
Pima County Assessor's Office
Arizona Department of Revenue

CITY OF TUCSON, ARIZONA
Special Assessment Collections (1)
 Last Ten Fiscal Years (unaudited)
 (dollar amounts in thousands)

TABLE VII

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected (2)</u>	<u>Ratio of Collections to Amounts Due (2)</u>
1992-93	\$ 1,775	\$ 1,775	1.00
1993-94	1,845	1,845	1.00
1994-95	1,797	1,797	1.00
1995-96	1,632	1,632	1.00
1996-97	1,432	1,432	1.00
1997-98	1,145	1,145	1.00
1998-99	947	947	1.00
1999-00	810	810	1.00
2000-01	736	736	1.00
2001-02 (3)	399	322	0.87

(1) Principal only.

(2) All delinquent assessments are sold to independent bidders.

(3) Current-year revenues were reduced by a refund to Civano property holders of \$160.

CITY OF TUCSON, ARIZONA
Legal Debt Margin
June 30, 2002 (unaudited)
(dollar amounts in thousands)

Table VIII

Total Assessed Value	\$ 2,138,461		
		General Obligation Other Purposes 6%	General Obligation Utility Purposes and Open Spaces 20%
		<u> </u>	<u> </u>
Debt Limitation		\$ 128,308	\$ 427,692
 Total Bonded Debt	 737,360		
Less:			
Street & Highway Bonds	155,695		
Water Utility Revenue Bonds	334,999		
Special Assessments Bonds	3,567		
Debt Subject to Limitation	<u>\$ 243,099</u>	<u>79,678</u>	<u>163,421</u>
 Legal Debt Margin		 <u>\$ 48,630</u>	 <u>\$ 264,271</u>

CITY OF TUCSON, ARIZONA
Ratio of Net General Bonded Debt
to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years (unaudited)

TABLE IX

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (in thousands)</u>	<u>Gross Bonded Debt (in thousands)</u>	<u>Less Debt Service Funds (in thousands)</u>	<u>Net Bonded Debt (in thousands)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1992-93	428,000	\$ 1,498,304	\$ 131,622	\$ 863	\$ 130,759	0.087	\$ 305.51
1993-94	438,000	1,486,797	151,724	2,199	149,525	0.101	341.38
1994-95	448,000	1,546,772	173,559	4,476	169,083	0.109	377.42
1995-96	449,000	1,568,514	194,854	5,056	189,798	0.121	422.71
1996-97	459,000	1,598,796	201,534	5,517	196,017	0.123	427.05
1997-98	466,538	1,818,909	209,159	4,012	205,147	0.113	439.72
1998-99	476,406	1,875,875	217,274	1,586	215,688	0.115	452.73
1999-00	486,810	1,945,168	211,169	315	210,854	0.108	433.13
2000-01	498,307	2,048,621	223,569	1,209	222,360	0.109	446.23
2001-02	508,271	2,138,461	243,099	1,503	241,596	0.113	475.33

CITY OF TUCSON, ARIZONA
Property Tax Requirements for General Debt Service
 Last Ten Fiscal Years (unaudited)
 (dollar amounts in thousands)

TABLE X

Fiscal Year	Principal	Interest	Net Debt Service	Property Tax Levy(1)		Tax Rate Required for Net General Debt Service(2)
				Primary	Secondary	
1992-93	\$ 4,135	\$ 8,241	\$ 12,376	\$ 3,047	\$ 13,245	0.83
1993-94	410	11,542 (3)	11,952	2,981	13,193	0.80
1994-95	2,820	9,695 (3)	12,515	3,017	14,800	0.81
1995-96	3,450	10,850	14,300	3,060	14,885	0.91
1996-97	3,830	11,694	15,524	2,355	15,988	0.97
1997-98	5,465	11,478	16,943	2,466	15,439	0.93
1998-99	5,740	12,012	17,752	2,583	15,332	0.93
1999-00	6,105	12,299	18,404	2,695	17,137	0.94
2000-01	6,440	12,868	19,308	2,810	20,207	0.95
2001-02	7,030	13,785	20,815	2,931	20,954	0.97

- (1) Primary tax levy (no restrictions on use) is limited to an increase of 2% over the previous years maximum allowable primary levy. Secondary tax may be levied in any amount necessary to meet the City's general obligation debt requirements, subject to City Charter ceiling limitation for combined primary and secondary levies of \$1.75 per \$100 assessed valuation.
- (2) Rate shown is per \$100 of assessed valuation and assumes no use of reserved funds or interest earnings in General Obligation Debt Service Fund. Secondary tax levy for Fiscal Year 2001-02 was .9799.
- (3) Includes payments to Refunding Trust Escrow Account of \$3,499 in 1993-94 fiscal year and \$635 in 1994-95 fiscal year.

CITY OF TUCSON, ARIZONA
Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures
 Last Ten Fiscal Years (unaudited)
 (dollar amounts in thousands)

TABLE XI

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures(1)</u>	<u>Ratio of Debt Service to General Expenditures</u>
1992-93	\$ 4,135	\$ 8,241	\$ 12,376	\$ 304,208	.04
1993-94	410	11,542	11,952	333,730	.04
1994-95	2,820	9,695 (2)	12,515	361,533	.03
1995-96	3,450	10,850 (2)	14,300	386,137	.04
1996-97	3,830	11,694	15,524	401,107	.04
1997-98	5,465	11,478	16,943	423,871	.04
1998-99	5,740	12,012	17,752	445,763	.04
1999-00	6,105	12,299	18,404	512,489	.04
2000-01	6,440	12,868	19,308	518,682	.04
2001-02	7,030	13,785	20,815	579,081	.04

⁽¹⁾ Includes GAAP basis expenditures, except "Lease Purchase" expenditures which are offset by "Lease Purchase Proceeds," for the General Fund, all Special Revenue Funds and the General Obligation and Street and Highway Debt Service Funds.

⁽²⁾ Includes payments to Refunding Trust Escrow Account of \$3,499 in 1993-94 fiscal year and \$635 in 1994-95 fiscal year.

CITY OF TUCSON, ARIZONA
Computation of Direct and Overlapping Debt
June 30, 2002 (unaudited)
(dollar amounts in thousands)

TABLE XII

<u>Name of Governmental Unit</u>	<u>General Obligation Net Debt Outstanding</u>	<u>Percentage Applicable to City of Tucson</u>	<u>Amount Applicable to City of Tucson</u>
City of Tucson	\$ 241,569 ⁽¹⁾	100.00 %	\$ 241,569
School District No. 1	325,035	96.74	314,439
School District No. 8	15,625	6.35	992
School District No. 10	127,555	37.63	47,999
School District No. 12	64,820	12.13	7,863
School District No. 20	20,515	6.83	1,401
Pima County	193,170	47.66	92,065
Pima County Flood Control District	6,080	47.66	2,898
Pima County Community College	<u>119,225</u>	47.66	<u>56,823</u>
Total Direct and Overlapping Debt	\$ <u>1,113,594</u>		\$ <u>766,049</u>

⁽¹⁾ Net of Debt Service Funds on Hand.

CITY OF TUCSON, ARIZONA
Schedule of Water Revenue Bond Coverage (1)
 Last Ten Fiscal Years (unaudited)
 (dollar amounts in thousands)

TABLE XIII

Year	Gross Revenue	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements- Bonds		Total	Coverage
				Principal	Interest		
1992-93	\$ 75,306	\$ 36,482	\$ 38,824	\$ 1,055	\$ 11,452	\$ 12,507	3.10
1993-94	76,143	42,106	34,037	1,830	12,430	14,260	2.39
1994-95	80,103	46,059	34,044	6,935	12,331	19,266	1.77
1995-96	91,463	46,359	45,104	7,280	11,973	19,253	2.34
1996-97	96,187	50,867	45,320	6,865	13,257	20,122	2.25
1997-98	94,884	46,008	48,876	7,516	13,244	20,760	2.35
1998-99	91,377	53,471	37,906	14,825	7,823	22,648	1.67
1999-00	93,486	52,240	41,246	15,869	9,101	24,970	1.65
2000-01	94,810	52,643	42,167	16,688	9,099	25,787	1.64
2001-02	114,282	57,295	56,987	16,575	11,077	27,652	2.06

- (1) Effective with Fiscal Year 1997/98, this information will show the Maximum Annual Debt Service coverage as defined by Ordinance No. 6347. The debt service requirements represent the greatest amount required in any fiscal year as of the current fiscal year or thereafter. In previous years, the coverage ratio was based on the current fiscal year debt service requirements. Expenses exclude depreciation, amortization, and other water expenses subordinate to debt service.

CITY OF TUCSON, ARIZONA
Demographic Statistics
 Last Ten Fiscal Years (unaudited)
 (dollar amounts in thousands)

TABLE XIV

<u>Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Unemployment Rate (1)</u>	<u>Area In Square Miles</u>	<u>Population Per Square Mile</u>
1993	432,000	\$ 17	4.0 %	161.52	2,674.59
1994	438,000	18	4.4	161.99	2,703.87
1995	448,000	19	4.0	162.94	2,749.48
1996	449,000	20	3.6	191.30	2,347.10
1997	459,000	21	3.2	193.51	2,371.97
1998	466,538	22	2.6	194.12	2,403.35
1999	476,406	22	2.7	195.36	2,438.61
2000	486,810	23	2.8	195.46	2,490.59
2001	498,307	24	3.1	223.33	2,231.26
2002	508,271	25	4.5	226.08	2,248.19

⁽¹⁾ Statistics for Pima County as a whole.

Source:
 City of Tucson, Planning Department

CITY OF TUCSON, ARIZONA
Building Permits, Bank Deposits and Retail Sales
 Last Ten Fiscal Years (unaudited)
 (dollar amounts in thousands)

TABLE XV

Year	Building Permits				Bank Deposits	Retail Sales
	Commercial		Residential			
	Number	Value	Number	Value		
1993	1,585	\$ 150,755	3,510	\$ 93,483	\$ 4,869,000	\$ 5,865,000
1994	1,871	158,757	4,664	187,780	5,339,000	6,473,544
1995	1,592	173,222	5,119	253,450	5,124,000	7,036,076
1996	1,443	201,654	5,236	222,537	5,120,000	7,598,821
1997	1,630	170,362	5,923	227,027	4,805,000	8,112,202
1998	1,924	189,849	5,439	276,011	4,684,808	8,546,160
1999	2,027	262,089	4,062	295,924	5,475,232	8,805,407
2000	2,332	214,514	4,233	336,850	5,059,897	9,491,019
2001	2,415	269,156	5,808	386,393	5,812,485	10,070,605
2002	2,148	223,703	5,778	355,394	6,029,443	9,538,556

Sources:
 Arizona Bankers Association
 City of Tucson Finance Department
 City of Tucson Development Services Center

CITY OF TUCSON, ARIZONA
Miscellaneous Statistics
June 30, 2002 (unaudited)
(dollar amounts in thousands)

TABLE XVI

Date of Incorporation:

February 7, 1887

Form of Government:

Council - Manager

Date of Charter Adoption:

March 7, 1883

City Employees: June 30, 2002

Full Time	5,920
Part Time/Other	2,647
	<u>8,567</u>

Fire Protection:

Commissioned Employees	527
Number of Stations	18

Police Protection:

Commissioned Employees	958
Traffic Citations	169,152
Felonies	50,106

Miles of Streets:

Paved	1554.71
Unpaved	45.07
Area of City in Square Miles	223.36

Street Lights:

Number	16,530
--------	--------

Libraries:

Number	- Within City	12
	- Outside City	10
Circulation		5,761,000

Parks and Recreation:

Acres of City Parks	2,835
Recreation Centers	16
Golf Courses	5
City Parks	103
Playgrounds	105
Swimming Pools	26

Water Utility:

Operable Wells	207
Average Active Services:	
Average Active Metered Services	197,738
Average Active Unmetered Services	2,449
Miles of Water Mains	4,275
Estimated Water Distributed (in Million Gallons)	39,649

Elections:

Registered Voters 11/06/01	193,969
Votes Cast in Last City	
General Election (27% of Voters)	53,332



Glossary

Glossary

Accrual basis of accounting. A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows. All proprietary and trust funds use the accrual basis of accounting.

Agent multiple-employer defined benefit pension plan. An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level. [SGAS 27]

Basic financial statements. The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.

Basis of accounting. The timing of recognition, that is, when the effects of transactions or events should be recognized for *financial reporting purposes*. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus. [SGAS 11]

Budgetary basis of accounting. The method used to determine when revenues and expenditures are recognized for budgetary purposes.

Capital and related financing activities. Term used in connection with cash flows reporting. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit. [SGAS 9]

Capital projects fund. Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capitalization threshold. The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. For the City, the capitalization threshold is \$5.

Cash. The term, as used in connection with cash flows reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. *Cash* also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. [SGAS 9]

Cash equivalent. Term used in connection with cash flows reporting. Short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose "original maturity" means the original maturity to the entity holding the investment. [SGAS 9]

Collateral. Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit.

Combining financial statements. Financial statements that report separate columns for individual funds or component units. Combining financial statements normally are required in a comprehensive annual financial report to support each column in the basic financial statements that aggregates information from more than one fund or component unit.

Component unit. A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. [SGAS 14]

Comprehensive annual financial report (CAFR). A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

Cost-sharing multiple-employer defined benefit pension plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer. [SGAS 25]

Current financial resources measurement focus. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

Debt service fund. Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Deferred revenue. Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

Defined benefit pension plan. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation. [SGAS 25]

Designated unreserved fund balance. Management's intended use of available expendable resources in governmental funds reflecting actual plans approved by the government's senior management. Expressed another way, designations reflect a government's self-imposed limitations on the use of otherwise available financial resources in governmental funds.

Economic resources measurement focus. Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It also is used by business enterprises and not-for-profit organizations in the private sector.

Encumbrances. Commitments related to unperformed (executory) contracts for goods or services.

Enterprise fund. Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

Expenditure. Decreases in net financial resources under the current financial resources measurement focus not properly classified as *other financing uses*.

Fiduciary funds. Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Financial reporting entity. A primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

Financial resources. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and prepaids (because they obviate the need to expend current available financial resources).

Financial section. One of the three basic sections of a comprehensive annual financial report. The financial section is used to present the independent auditor's report on the financial statements, the basic financial statements (including the notes to the financial statements), required supplementary information, combining statements, individual fund statements and schedules, and supplementary information, as needed.

Fund. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund balance. The difference between assets and liabilities reported in a governmental fund.

Fund classifications. One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.

Fund type. One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

General fund. The general fund is one of five governmental fund types and typically serves as the chief operating fund of a government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Generally accepted accounting principles (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*.

Government Finance Officers Association (GFOA). An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local government since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.

Governmental Accounting Standards Board (GASB). The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the NCGA.

Governmental funds. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

Internal service funds. Proprietary fund type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The goal of an internal service fund is to measure the full cost of providing goods or services for the purpose of fully recovering that cost (including the cost of capital assets) through fees or charges.

Introductory section. The first of three essential components of any comprehensive annual financial report. The introductory section typically provides general information on a government's structure and personnel as well as information useful in assessing the government's financial condition. The contents of the introductory section normally fall outside the scope of the independent audit of the financial statements.

Landfill closure and postclosure care costs. Costs incurred to provide for the protection of the environment that occur near or after the date that a municipal solid-waste landfill stops accepting solid waste and during the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (e.g., leachate collection systems and final cover) as well as the cost of services (e.g., postclosure maintenance and monitoring costs). [SGAS18]

Legal debt margin. The excess of the amount of debt legally authorized over the amount of debt outstanding.

Legal defeasance. A situation that occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

Legal level of budgetary control. The level at which a government's management may not reallocate resources without special approval from the legislative body.

Materiality. The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.¹ The objective of accountability in governmental financial reporting adds another perspective to materiality. Specifically, accountability requires another perspective to materiality. Specifically, accountability requires materiality to be judged not only in a quantitative manner, but also in a qualitative manner. That is, accountability involves such issues as legal and contractual compliance that may not have a "material" effect on the entity's reported operating results and financial position but that would influence or change the judgment of a reasonable person about how the government has conducted its affairs during the period. [SGAS 11]

Measurement Focus. The objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured (for example, financial or economic resources), but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

Modified accrual basis of accounting. Basis of accounting according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

Noncapital financing activities. Term used in connection with cash flows reporting. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction, or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments. [SGAS 9]

Operating Activities: Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. [SGAS 9]

Operating revenues and expenses. Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are advised to consider the definition of *operating activities* for cash flows reporting in establishing their own definition. [SGAS 34]

Other financing source. An increase in current financial resources that is reported separately from revenues to avoid distorting expenditure trends. The use of the *other financing uses* category is limited to items so classified by GAAP.

Other financing use. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the *other financing uses* category is limited to items so classified by GAAP.

Overlapping debt. Proportionate share that property within a government must bear of the debts of other local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

Pension (and other employee benefit) trust funds. A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Permanent Funds. A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal may be used or purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Postretirement healthcare benefits. Medical, dental, vision, and other health-related benefits provided to retired employees, dependents, and beneficiaries. [SGAS 26]

Proprietary funds. Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

Refunding. The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding).

Required supplementary information. Statements, schedules, statistical data, or other information that the GASB has determined to be necessary to supplement, although not required to be a part of, the basic statements. [SGAS 5]

Restricted assets. Assets whose use is subject to constraints that are either (a) externally imposed by reditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Special revenue fund. A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purpose.

Statistical section. The third of three essential components of any comprehensive annual financial report. The statistical section provides a broad range of trend data covering key financial indicators from the past 10 fiscal years (e.g., general government revenues and expenditures, property tax collections, debt burden). It also contains demographic and miscellaneous data useful in assessing a government's financial condition. The contents of the statistical section normally fall outside the scope of the independent audit of the financial statements.